

# American Funds Model Portfolios: Designed for the long term

Quarterly update – Q4 2025



## Key takeaways for the quarter

- Markets closed out 2025 in positive territory, buoyed by robust earnings reports and continued U.S. Federal Reserve rate cuts.
- The American Funds Model Portfolios all had positive absolute gross and net results for the quarter, and while some of them led their benchmarks on a gross basis, all of them lagged net of fees.
- While no model portfolio reallocations were made this quarter, the Portfolio Solutions Committee (PSC) and the Capital Solutions Group (CSG) continue to monitor model portfolios regularly for risks and to ensure alignment with their long-term portfolio objectives, while underlying fund managers use company- and security-specific research to make real-time decisions and identify timely opportunities in today's ever-changing market environment.

## Market review

Markets ended 2025 on a positive note, driven largely by solid corporate earnings and continued U.S. Federal Reserve interest rate cuts. U.S. inflation appeared to fall, or at least stabilize, in the fourth quarter but the inflation picture was clouded by missing data due to the government shutdown.

International equities, including emerging markets, outpaced U.S. equities with the MSCI All Country World Index (ACWI) ex USA advancing 5.05%, compared to the S&P 500 Index's 2.66%. Globally, value stocks led growth while defensive stocks generally outpaced more cyclical equities (based on components of the MSCI ACWI). Health care was the highest performing sector in the S&P 500, followed by communication services, with both utilities and real estate ending in negative territory. High-dividend paying stocks lagged the broader U.S. equities market (as evidenced by that component of the MSCI USA Index). The broad U.S. bond market advanced, boosted by high yield, mortgage-backed securities and municipal bonds (based on results from the Bloomberg U.S. Aggregate, Bloomberg U.S. Corporate High Yield and Bloomberg U.S. Municipal Bond indexes). High-yield outpaced investment-grade credit (as measured by the Bloomberg U.S. Corporate Investment Grade Index). The U.S. Treasury curve steepened over the quarter.

### Investment professionals



**Samir Mathur**  
Chair of the Portfolio  
Solutions Committee



**Mario DiVito**  
Multi-Asset  
Investment Director



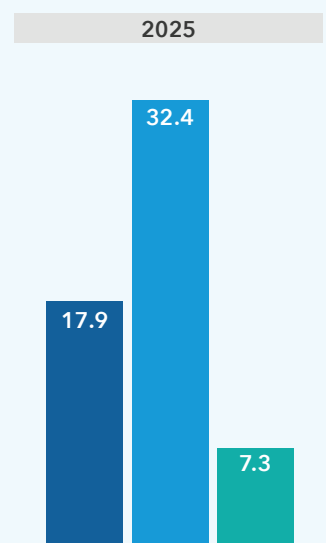
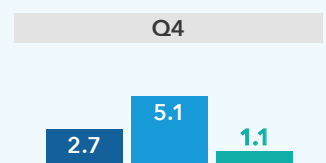
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Past results are not predictive of results in future periods.

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

## Broad market results

Cumulative returns (%)



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

Composite net results are calculated by subtracting an annual 3% fee, (which is equal to or higher than the highest actual model portfolio wrap fee charged by a program sponsor) from the gross composite monthly returns, which are net of underlying fund fees and expenses of all accounts in the composite.

Past results are not predictive of results in future periods.

Contribution to returns commentary is based on representative accounts of the model composites and is net of all fees and expenses applicable to the underlying funds and gross of any advisory fee charged by model providers. The net of fees composite results shown illustrate the impact of fees on the portfolio. Attribution for underlying ETFs is based on market price.

The Fed cut interest rates twice in the fourth quarter in response to rising unemployment, bringing the total number of cuts to three in 2025. The Bank of England also lowered their policy rate, while the European Central Bank held theirs steady and the Bank of Japan raised theirs to a 30-year high. As measured by the U.S. Dollar Index, the U.S. dollar rose modestly in the fourth quarter, but still ended down over 9% for the year.

## Quarterly model results

All comments about model composite returns are true on a gross and net-of-fees basis, unless otherwise noted. All results are for the quarter unless otherwise specified.

### Growth portfolios

#### American Funds Global Growth Model Portfolio

- Produced positive absolute returns, leading its benchmark on a gross basis, but net returns lagged.
- Strong absolute returns over the year, outpacing its benchmark on a gross basis, while net returns lagged.
- Selection for both U.S. and non-U.S. equities was positive, with U.S. providing a larger contribution to returns.
- Selection in information technology and health care was positive, while selection in communication services, financials and industrials was negative.
- The New Economy Fund® and EUPAC Fund™\* were among the stronger absolute returning underlying funds, while The Growth Fund of America® and SMALLCAP World Fund® were the weakest.

\*Effective June 1, 2025, EuroPacific Growth Fund is now EUPAC Fund.

#### American Funds Growth Model Portfolio

- Produced positive absolute returns but lagged its respective benchmark over the quarter and over the year.
- Non-U.S. stock selection was additive, although having less than custom benchmark exposure was a marginal detractor.
- Selection in health care and information technology contributed, while selection in U.S. industrials and communication services sectors was detractive.
- The New Economy Fund was the strongest absolute returning underlying fund, while The Growth Fund of America was the weakest.

#### American Funds Moderate Growth Model Portfolio

- Produced positive results that were in line with its benchmark on a gross basis, but net returns lagged. Positive selection in non-U.S. equities contributed, while negative U.S. equity stock selection was a detractor.
- Strong absolute returns over the year, aligning with its long-term success metric of total return. It led its benchmark on a gross basis, though net returns lagged.
- Selection in information technology and health care contributed, while selection in industrials and consumer discretionary was detractive.
- Capital World Growth and Income Fund® and Fundamental Investors® were some of the stronger returning underlying funds, while The Growth Fund of America and The Investment Company of America® were the weakest.

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## Growth-and-income portfolios

### American Funds Growth and Income Model Portfolio

- Lagged its benchmark driven by negative U.S. equity security selection. Produced strong absolute returns but lagged over the year on a gross and net basis.
- Positive fixed income security selection was nullified by negative U.S. equity selection.
- Selection in U.S. industrials and consumer discretionary were the biggest detractors to relative results. Information technology was the largest contributor.
- Within fixed income, positive selection in high yield and emerging market debt helped offset negative selection in securitized debt and inflation-linked bonds.
- Capital World Growth and Income Fund and American Funds Multi-Sector Income Fund were some of the stronger returning underlying equity and fixed income components, while The Growth Fund of America and American Funds Strategic Bond Fund were two of the weakest.

### American Funds Moderate Growth and Income Model Portfolio

- Led its benchmark on a gross basis but net returns lagged. U.S. and non-U.S. equity selection were both positive.
- Over the year, positive absolute and gross relative results were driven by positive fixed income security selection. U.S. and non-U.S. equities also contributed.
- Positive selection in information technology boosted relative results, while selection in the consumer discretionary and communication services sectors was a detractor.
- Within fixed income, selection in corporates was positive, while selection in Treasuries and securitized debt hurt.
- American Balanced Fund®, considered an anchor fund in this particular portfolio, helped provide some ballast to relative weakness from SMALLCAP World Fund and American Funds Strategic Bond Fund.

### American Funds Conservative Growth and Income Model Portfolio

- Produced positive returns, driven by positive security selection in fixed income and non-U.S. equities, but lagged its benchmark.
- Within fixed income, positive selection in corporates helped offset negative selection in Treasuries and securitized debt.
- Over the year, the portfolio lagged the benchmark on a gross and net basis. Favorable security selection in Treasuries and emerging market debt were positive contributors, while U.S. equity selection was a detractor.
- Capital World Growth and Income Fund and American Funds Emerging Market Bond Fund® were some of the stronger underlying components whereas American Mutual Fund® and The Bond Fund of America® were some of the weakest.

### American Funds Conservative Income and Growth Model Portfolio

- Posted positive absolute returns, leading its benchmark on a gross basis, but net returns lagged. Positive fixed income and non-U.S. equity selection offset negative U.S. equity selection.
- Income and lower volatility are important measurements of success to this model so having a structural shift towards dividend-paying equities was a headwind to relative results for the year, but this was offset by strong stock selection in industrials and consumer staples.
- Selection in information technology contributed, while selection in communication services and materials detracted.
- Selection in corporates and emerging market debt were the strongest drivers of fixed income returns. Securitized debt and inflation-linked bonds were detractors.

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## Preservation and income portfolios

### American Funds Conservative Income Model Portfolio

- Produced positive returns, leading its benchmark on a gross basis, but net returns lagged. Security selection in fixed income and non-U.S. equities contributed, while U.S. equity selection was a detractor.
- Over the year, strong returns, driven by positive fixed income security selection, led their benchmark on a gross basis, but net returns lagged.
- Selection in information technology contributed, but selection in industrials and communication services detracted.
- Selection in fixed income was a contributor, particularly within corporates and high yield. Inflation-linked bonds was a detractor.

### American Funds Preservation Model Portfolio

- Produced positive results in line with its benchmark on a gross basis, while net returns lagged. Positive selection in securitized debt outweighed negative selection in inflation-linked bonds.
- Over the year, positive returns, driven by fixed income security selection, led their benchmark on a gross basis, but net returns lagged.

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## Retirement income portfolios

**American Funds Retirement Income Model Portfolios** all had positive results and led their respective benchmarks on a gross basis, but lagged net of fees, for both the quarter and the year. Positive fixed income and non-U.S. equity security selection drove the annual results.

- Positive equity selection in information technology was weighed down by negative selection in industrials and health care. Income-oriented fund Capital Income Builder® was one of the strongest underlying funds with American Funds Multi-Sector Income Fund being one of the weakest.
- Fixed income contributions were positive. Positive selection in corporates and emerging markets contributed, while negative selection in securitized and inflation-linked bonds detracted. American Funds Strategic Bond Fund was one of the weaker returning components in the Moderate and Conservative portfolios.

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## American Funds Tax-Aware Model Portfolios

- Tax-Aware Moderate Growth Model Portfolio trailed its benchmark, driven by negative selection in U.S. equities, especially within the communication services and industrials sectors.
- Tax-Aware Growth and Income and Tax-Aware Moderate Growth and Income model portfolios trailed their respective benchmarks. Positive selection in fixed income was outweighed by negative selection in U.S. equities.
- Tax-Aware Conservative Growth and Income Model Portfolio was in line with its benchmark on a gross basis, but net returns lagged.
- For all three of the growth-and-income portfolios, the U.S. industrials and communication services sectors were some of the largest detractors for the quarter. For the year, positive absolute results were driven by U.S. equity and fixed income selection. Tax-Aware Conservative Growth and Income Model Portfolio led its benchmark on a gross basis but lagged net of fees. Tax-Aware Growth and Income and Tax-Aware Moderate Growth and Income model portfolios both lagged their benchmarks on an annual basis.
- American Funds Tax-Aware Conservative Income and American Funds Tax-Exempt Preservation model portfolios produced positive absolute returns over the quarter, leading their benchmarks on a gross basis but lagging net of fees. Security selection in municipal fixed income was strong over the quarter and one-year period especially within general obligation and health care revenue bonds.



## Looking ahead

As we enter 2026, prospects remain high for relatively stable global economic growth, supported by fiscal stimulus in the U.S. and Europe and the possibility of additional U.S. interest rate cuts. In the U.S., growth has remained solid despite an uptick in the unemployment rate, with strong holiday sales to end the year.

Within underlying funds, equity managers are mindful of historically high valuations across global markets, creating risks of pullbacks in the new year. Markets continue to broaden, with many companies driving returns outside the Magnificent 7 and information technology stocks. Although managers have favored selective information technology companies powering developments in AI, they also are targeting secondary beneficiaries of higher AI spending, including the utilities, industrials and materials companies that are benefiting from the build-out of AI infrastructure. Returns have also broadened geographically as non-U.S. equity markets have seen strong gains after years of mild returns. The German defense stimulus, and increased defense spending in general, are expected

to create opportunities in defense stocks. Corporate reforms in Asia may induce managements there to adopt greater capital efficiency and return more capital to shareholders. Across vast geographies and sectors, managers will continue to look for companies with attractive valuations, strong business models and quality management.

Within core U.S. fixed income, managers are seeking out select higher-quality opportunities in the credit space as historically high valuations make security selection critical. They also favor certain higher quality, higher coupon parts of the securitized market. Within the municipals market, underlying fund managers are finding compelling opportunities as fundamentals appear strong.

As we kick off the new year, portfolio managers and analysts continue to use their deep fundamental analysis in their quest to unearth overlooked opportunities and pursue strong results for investors.



Analysts and portfolio managers mentioned above are references to Capital Group associates.

## Model composite results as of December 31, 2025

Past results are not predictive of results in future periods.

Composite net results are calculated by subtracting an annual 3% fee, (which is equal to or higher than the highest actual model portfolio wrap fee charged by a program sponsor) from the gross composite monthly returns, which are net of underlying fund fees and expenses of all accounts in the composite. Composite gross results are net of underlying fund fees and expenses of all accounts in the composite and gross of any advisory fees charged by model providers. Results would have been lower if such fees had been deducted.

| Model portfolio                                            | Strategy<br>Inception<br>date | Cumulative total<br>returns (%) |      |       |        | Average annual<br>total returns (%) |         |          |          |
|------------------------------------------------------------|-------------------------------|---------------------------------|------|-------|--------|-------------------------------------|---------|----------|----------|
|                                                            |                               |                                 | QTD  | YTD   | 1 year | 3 years                             | 5 years | 10 years | Lifetime |
| Growth                                                     |                               |                                 |      |       |        |                                     |         |          |          |
| American Funds Global Growth MP Composite                  | 05/31/2012                    | Gross                           | 3.89 | 23.43 | 23.43  | 20.98                               | 8.37    | 11.64    | 11.85    |
|                                                            |                               | Net                             | 3.11 | 19.84 | 19.84  | 17.45                               | 5.18    | 8.36     | 8.56     |
| MSCI All Country World Index (ACWI)                        | –                             |                                 | 3.29 | 22.34 | 22.34  | 20.65                               | 11.19   | 11.72    | 11.46    |
| American Funds Growth MP Composite                         | 05/31/2012                    | Gross                           | 3.15 | 20.83 | 20.83  | 23.46                               | 10.39   | 12.81    | 13.15    |
|                                                            |                               | Net                             | 2.38 | 17.31 | 17.31  | 19.86                               | 7.15    | 9.50     | 9.83     |
| Growth Model Portfolio Index Blend                         | –                             |                                 | 3.26 | 21.44 | 21.44  | 21.65                               | 12.85   | 13.26    | 13.29    |
| American Funds Moderate Growth MP Composite                | 05/31/2017                    | Gross                           | 3.01 | 19.93 | 19.93  | 20.89                               | 10.37   | –        | 11.57    |
|                                                            |                               | Net                             | 2.24 | 16.43 | 16.43  | 17.36                               | 7.13    | –        | 8.29     |
| Moderate Growth Model Portfolio Index Blend                | –                             |                                 | 3.02 | 19.81 | 19.81  | 18.79                               | 10.62   | –        | 11.17    |
| Growth and income                                          |                               |                                 |      |       |        |                                     |         |          |          |
| American Funds Moderate Growth and Income MP Composite     | 05/31/2012                    | Gross                           | 2.90 | 17.26 | 17.26  | 14.29                               | 8.12    | 9.14     | 9.42     |
|                                                            |                               | Net                             | 2.13 | 13.84 | 13.84  | 10.94                               | 4.94    | 5.93     | 6.20     |
| Moderate Growth and Income Model Portfolio Index Blend     | –                             |                                 | 2.59 | 16.93 | 16.93  | 15.32                               | 7.96    | 9.18     | 9.13     |
| American Funds Conservative Income and Growth MP Composite | 07/31/2020                    | Gross                           | 1.93 | 12.72 | 12.72  | 9.64                                | 5.15    | –        | 5.94     |
|                                                            |                               | Net                             | 1.17 | 9.41  | 9.41   | 6.42                                | 2.05    | –        | 2.82     |
| Conservative Income and Growth Model Portfolio Index Blend | –                             |                                 | 1.88 | 12.34 | 12.34  | 10.36                               | 4.15    | –        | 4.88     |
| American Funds Growth and Income MP Composite              | 05/31/2012                    | Gross                           | 2.69 | 18.54 | 18.54  | 17.46                               | 9.80    | 10.78    | 10.79    |
|                                                            |                               | Net                             | 1.92 | 15.08 | 15.08  | 14.03                               | 6.57    | 7.52     | 7.54     |
| Growth and Income Model Portfolio Index Blend              | –                             |                                 | 2.87 | 18.71 | 18.71  | 16.91                               | 9.13    | 10.13    | 10.08    |
| American Funds Conservative Growth and Income MP Composite | 05/31/2012                    | Gross                           | 2.15 | 14.60 | 14.60  | 11.29                               | 7.44    | 7.74     | 7.55     |
|                                                            |                               | Net                             | 1.38 | 11.25 | 11.25  | 8.03                                | 4.28    | 4.57     | 4.38     |
| Conservative Growth and Income Model Portfolio Index Blend | –                             |                                 | 2.27 | 14.82 | 14.82  | 13.67                               | 6.81    | 8.25     | 8.11     |

Index lifetime returns and composite lifetime results are based on strategy inception dates.

For the above models this differs from the composite creation date, with the exception of American Funds Moderate Growth and American Funds Conservative Income and Growth.

## Model composite results as of December 31, 2025

| Model portfolio                                                      | Strategy<br>Inception<br>date | Cumulative total<br>returns (%) |      |        |         | Average annual<br>total returns (%) |          |          |       |
|----------------------------------------------------------------------|-------------------------------|---------------------------------|------|--------|---------|-------------------------------------|----------|----------|-------|
|                                                                      |                               | QTD                             | YTD  | 1 year | 3 years | 5 years                             | 10 years | Lifetime |       |
| Preservation and income                                              |                               |                                 |      |        |         |                                     |          |          |       |
| American Funds Conservative Income MP Composite                      | 05/31/2017                    | Gross                           | 1.54 | 9.82   | 9.82    | 7.15                                | 3.54     | –        | 4.26  |
|                                                                      |                               | Net                             | 0.78 | 6.59   | 6.59    | 3.99                                | 0.49     | –        | 1.18  |
| Conservative Income Model Portfolio Index Blend                      | –                             |                                 | 1.43 | 8.83   | 8.83    | 8.22                                | 3.28     | –        | 4.56  |
| American Funds Preservation MP Composite                             | 05/31/2012                    | Gross                           | 1.15 | 6.14   | 6.14    | 4.88                                | 1.61     | 2.26     | 1.94  |
|                                                                      |                               | Net                             | 0.39 | 3.02   | 3.02    | 1.78                                | -1.39    | -0.76    | -1.07 |
| Bloomberg 1-5 Year U.S. Government/Credit A+ Index                   | –                             |                                 | 1.16 | 5.98   | 5.98    | 4.72                                | 1.43     | 1.99     | 1.72  |
| Income                                                               |                               |                                 |      |        |         |                                     |          |          |       |
| American Funds Retirement Income - Moderate MP Composite             | 08/31/2015                    | Gross                           | 2.63 | 16.07  | 16.07   | 11.66                               | 7.12     | 7.41     | 7.32  |
|                                                                      |                               | Net                             | 1.86 | 12.68  | 12.68   | 8.38                                | 3.97     | 4.24     | 4.16  |
| Custom Index Retirement Income - Moderate                            | –                             |                                 | 2.24 | 14.62  | 14.62   | 12.82                               | 6.05     | 7.58     | 7.47  |
| American Funds Retirement Income - Enhanced MP Composite             | 08/31/2015                    | Gross                           | 2.96 | 17.59  | 17.59   | 13.97                               | 8.80     | 8.63     | 8.55  |
|                                                                      |                               | Net                             | 2.19 | 14.15  | 14.15   | 10.63                               | 5.60     | 5.43     | 5.36  |
| Custom Index Retirement Income - Enhanced                            | –                             |                                 | 2.59 | 16.93  | 16.93   | 15.32                               | 7.96     | 9.18     | 9.06  |
| American Funds Retirement Income - Conservative MP Composite         | 08/31/2015                    | Gross                           | 2.02 | 13.50  | 13.50   | 9.21                                | 5.05     | 6.02     | 5.93  |
|                                                                      |                               | Net                             | 1.26 | 10.17  | 10.17   | 6.00                                | 1.96     | 2.89     | 2.81  |
| Custom Index Retirement Income - Conservative                        | –                             |                                 | 1.96 | 12.88  | 12.88   | 11.27                               | 4.89     | 6.60     | 6.52  |
| Tax-aware growth                                                     |                               |                                 |      |        |         |                                     |          |          |       |
| American Funds Tax-Aware Moderate Growth MP Composite                | 07/31/2020                    | Gross                           | 2.22 | 17.84  | 17.84   | 20.50                               | 10.05    | –        | 12.32 |
|                                                                      |                               | Net                             | 1.46 | 14.40  | 14.40   | 16.98                               | 6.82     | –        | 9.02  |
| Tax-Aware Moderate Growth Model Portfolio Index Blend                | –                             |                                 | 3.09 | 19.27  | 19.27   | 18.65                               | 10.81    | –        | 12.69 |
| Tax-aware growth and income                                          |                               |                                 |      |        |         |                                     |          |          |       |
| American Funds Tax-Aware Growth and Income MP Composite              | 08/31/2019                    | Gross                           | 2.48 | 17.16  | 17.16   | 18.07                               | 9.95     | –        | 11.95 |
|                                                                      |                               | Net                             | 1.71 | 13.74  | 13.74   | 14.62                               | 6.72     | –        | 8.66  |
| Tax-Aware Growth and Income Model Portfolio Index Blend              | –                             |                                 | 2.98 | 17.83  | 17.83   | 16.68                               | 9.44     | –        | 10.98 |
| American Funds Tax-Aware Moderate Growth and Income MP Composite     | 08/31/2019                    | Gross                           | 2.57 | 15.61  | 15.61   | 14.95                               | 8.43     | –        | 9.87  |
|                                                                      |                               | Net                             | 1.80 | 12.23  | 12.23   | 11.58                               | 5.24     | –        | 6.64  |
| Tax-Aware Moderate Growth and Income Model Portfolio Index Blend     | –                             |                                 | 2.75 | 15.72  | 15.72   | 15.00                               | 8.40     | –        | 9.82  |
| American Funds Tax-Aware Conservative Growth and Income MP Composite | 05/31/2012                    | Gross                           | 2.43 | 13.75  | 13.75   | 12.02                               | 7.40     | 7.89     | 8.25  |
|                                                                      |                               | Net                             | 1.66 | 10.42  | 10.42   | 8.73                                | 4.24     | 4.71     | 5.07  |
| Tax-Aware Conservative Growth and Income Model Portfolio Index Blend | –                             |                                 | 2.41 | 12.66  | 12.66   | 12.71                               | 6.88     | 8.06     | 8.17  |

Past results are not predictive of results in future periods.

Index lifetime returns and composite lifetime results are based on strategy inception dates.

For the following models this differs from the composite creation date: American Funds Preservation, American Funds Retirement Income – Enhanced, American Funds Retirement Income – Moderate, American Funds Retirement Income – Conservative, Tax-Aware Conservative Growth and Income.



## Model composite results as of December 31, 2025

| Model portfolio                                           | Strategy<br>Inception<br>date | Cumulative total<br>returns (%) |      |        |         | Average annual<br>total returns (%) |          |          |       |
|-----------------------------------------------------------|-------------------------------|---------------------------------|------|--------|---------|-------------------------------------|----------|----------|-------|
|                                                           |                               | QTD                             | YTD  | 1 year | 3 years | 5 years                             | 10 years | Lifetime |       |
| Tax-aware preservation and income                         |                               |                                 |      |        |         |                                     |          |          |       |
| American Funds Tax-Aware Moderate Income MP Composite     | 08/31/2019                    | Gross                           | 2.10 | 11.86  | 11.86   | 10.46                               | 6.24     | –        | 6.83  |
|                                                           |                               | Net                             | 1.34 | 8.58   | 8.58    | 7.21                                | 3.11     | –        | 3.68  |
| Tax-Aware Moderate Income Model Portfolio Index Blend     | –                             |                                 | 2.19 | 10.22  | 10.22   | 9.80                                | 4.94     | –        | 6.02  |
| American Funds Tax-Aware Conservative Income MP Composite | 08/31/2019                    | Gross                           | 1.51 | 8.28   | 8.28    | 6.98                                | 3.88     | –        | 4.43  |
|                                                           |                               | Net                             | 0.75 | 5.10   | 5.10    | 3.83                                | 0.82     | –        | 1.35  |
| Tax-Aware Conservative Income Model Portfolio Index Blend | –                             |                                 | 1.39 | 7.13   | 7.13    | 7.36                                | 3.73     | –        | 4.48  |
| American Funds Tax-Exempt Preservation MP Composite       | 05/31/2012                    | Gross                           | 0.82 | 4.91   | 4.91    | 3.76                                | 1.44     | 1.97     | 2.15  |
|                                                           |                               | Net                             | 0.07 | 1.81   | 1.81    | 0.69                                | -1.56    | -1.04    | -0.87 |
| Bloomberg Municipal Bond 1-7 Year Blend Index             | –                             |                                 | 0.59 | 4.74   | 4.74    | 3.43                                | 1.26     | 1.87     | 1.84  |

Index lifetime returns and composite lifetime results are based on strategy inception dates.

For the following model this differs from the composite creation date: American Funds Tax-Exempt Preservation.

## Market index results as of December 31, 2025

| Index name                                                 | Cumulative total returns (%) |       |        | Average annual total returns (%) |         |          |
|------------------------------------------------------------|------------------------------|-------|--------|----------------------------------|---------|----------|
|                                                            | QTD                          | YTD   | 1 year | 3 years                          | 5 years | 10 years |
| Bloomberg Municipal Bond Index                             | 1.56                         | 4.25  | 4.25   | 3.88                             | 0.80    | 2.34     |
| Bloomberg U.S. Aggregate Index                             | 1.10                         | 7.30  | 7.30   | 4.66                             | -0.36   | 2.01     |
| Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index | 1.31                         | 8.62  | 8.62   | 10.06                            | 4.50    | 6.52     |
| MSCI All Country World Index (ACWI)                        | 3.29                         | 22.34 | 22.34  | 20.65                            | 11.19   | 11.72    |
| MSCI All Country World Index (ACWI) ex USA                 | 5.05                         | 32.39 | 32.39  | 17.33                            | 7.91    | 8.41     |
| Russell 1000 Growth Index                                  | 1.12                         | 18.56 | 18.56  | 31.15                            | 15.32   | 18.13    |
| Russell 1000 Index                                         | 2.41                         | 17.37 | 17.37  | 22.74                            | 13.59   | 14.59    |
| Russell 1000 Value Index                                   | 3.81                         | 15.91 | 15.91  | 13.90                            | 11.33   | 10.53    |
| S&P 500 Index                                              | 2.66                         | 17.88 | 17.88  | 23.01                            | 14.42   | 14.82    |



# Investment and index disclosures

## Appendix

### Pages 6-8

The underlying funds for each model portfolio as of December 31, 2025, are as follows (allocations may not equal 100% due to rounding):

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

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

**American Funds Moderate Growth Model Portfolio:** Growth (45%): SMALLCAP World Fund 10%, The Growth Fund of America 20%, AMCAP Fund 10%, American Funds Global Insight Fund 5%; Growth and income (30%): Fundamental Investors 5%, Capital World Growth and Income Fund 15%, The Investment Company of America 10%; Balanced (25%): American Balanced Fund 13%, American Funds Global Balanced Fund 12%.

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

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

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

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

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

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

(30%): American Funds Multi-Sector Income Fund 9%, The Bond Fund of America 8%, American Funds Strategic Bond Fund 6%, U.S. Government Securities Fund 7%.

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

**American Funds Conservative Income Model Portfolio:** Growth and income (10%): American Mutual Fund 10%; Equity income (10%): The Income Fund of America 10%; Balanced (5%): American Balanced Fund 5%; Income (75%): The Bond Fund of America 20%, American Funds Strategic Bond Fund 10%, American Funds Multi-Sector Income Fund 5%, Intermediate Bond Fund of America 25%, Short-Term Bond Fund of America 15%.

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

**American Funds Tax-Aware Moderate Growth Model Portfolio:** Growth (68%): CGGE – Capital Group Global Equity ETF 20%, CGGR – Capital Group Growth ETF 20%, CGGO – Capital Group Global Growth Equity ETF 12%; CGMM – Capital Group U.S. Small and Mid Cap ETF 10%, CGNG – Capital Group New Geography Equity ETF 6%; Growth and income (20%): CGUS – Capital Group Core Equity ETF 20%; Tax-exempt (12%): CGHM – Capital Group Municipal High-Income ETF 6%, CGMU – Capital Group Municipal Income ETF 6%

**American Funds Tax-Aware Growth and Income Model Portfolio:** Growth (30%): CGGE – Capital Group Global Equity ETF 14%, CGGO – Capital Group Global Growth Equity ETF 8%, CGMM – Capital Group U.S. Small and Mid Cap ETF 5%, CGNG – Capital Group New Geography Equity ETF 3%; Growth and income (37%): CGUS – Capital Group Core Equity ETF 15%, CGDV – Capital Group Dividend Value ETF 15%, CGDG – Capital Group Dividend Growers ETF 7%; Tax-exempt (33%): CGHM – Capital Group Municipal High-Income ETF 18%, CGMU – Capital Group Municipal Income ETF 15%.

**American Funds Tax-Aware Moderate Growth and Income Model Portfolio:** Growth (30%): CGGE – Capital Group Global Equity ETF 14%, CGGO – Capital Group Global Growth Equity ETF 8%, CGMM – Capital Group U.S. Small and Mid Cap ETF 5%, CGNG – Capital Group New Geography Equity ETF 3%; Growth and income (37%): CGUS – Capital Group Core Equity ETF 15%, CGDV – Capital Group Dividend Value ETF 15%, CGDG – Capital Group Dividend Growers ETF 7%; Tax-exempt (33%): CGHM – Capital Group Municipal High-Income ETF 18%, CGMU – Capital Group Municipal Income ETF 15%.

**American Funds Tax-Aware Conservative Growth and Income Model Portfolio:** Growth (9%): CGGE – Capital Group Global Equity ETF 9%; Growth and income (41%): CGDV – Capital Group Dividend Value ETF 16%, CGDG – Capital Group Dividend Growers ETF 15%, CGCV – Capital Group Conservative Equity ETF 5%, CGUS – Capital Group Core Equity ETF 5%; Tax-exempt (50%): CGHM – Capital Group Municipal High-Income ETF 25%, CGMU – Capital Group Municipal Income ETF 21%, CGSM – Capital Group Short Duration Municipal Income ETF 4%.

**American Funds Tax-Aware Moderate Income Model Portfolio:** Growth (7%): CGGE – Capital Group Global Equity ETF 7%; Growth and income (30%): CGDV – Capital Group Dividend Value ETF 14%, CGDG – Capital Group Dividend Growers ETF 7%, CGCV – Capital Group Conservative Equity ETF 5%, CGUS – Capital Group Core Equity ETF 4%; Tax-exempt (63%): CGHM – Capital Group Municipal High-Income ETF 25%, CGMU – Capital Group Municipal Income ETF 25%, CGSM – Capital Group Short Duration Municipal Income ETF 13%.

**American Funds Tax-Aware Conservative Income Model Portfolio:** Growth and income (21%): CGCV – Capital Group Conservative Equity ETF 7%, CGDV – Capital Group Dividend Value ETF 6%, CGDG – Capital Group Dividend Growers ETF 5%, CGUS – Capital Group Core Equity ETF 3%; Tax-exempt (79%): CGSM – Capital Group Short Duration Municipal

Income ETF 34%, CGMU – Capital Group Municipal Income ETF 30%, CGHM – Capital Group Municipal High-Income ETF 15%.

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

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

The American Funds Global Growth MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Global Growth MP strategy. The strategy seeks long-term growth of capital through exposure to global companies with strong growth potential utilizing predominantly American Funds mutual funds. Beginning October 1, 2016, the American Funds Global Growth MP Composite includes all MP portfolios applicable to the Global Growth strategy. Prior to October 1, 2016, no MP portfolios were managed in the Global Growth strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Global Growth Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Growth MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Growth MP strategy. The strategy seeks long-term growth of capital through exposure to companies primarily in the U.S. with strong growth potential utilizing predominantly American Funds mutual funds. Beginning October 1, 2016, the American Funds Growth MP Composite includes all MP portfolios applicable to the Growth strategy. Prior to October 1, 2016, no MP portfolios were managed in the Growth strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Growth Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Growth and Income MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Growth and Income MP strategy. The strategy seeks long-term growth of capital through exposure to equities with a secondary objective of current income through dividend-paying equities and fixed-income securities utilizing predominantly American Funds mutual funds. Beginning October 1, 2016, the American Funds Growth and Income MP Composite includes all MP portfolios applicable to the Growth and Income strategy. Prior to October 1, 2016, no MP portfolios were managed in the Growth and Income strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Growth and Income Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Moderate Growth and Income MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Moderate Growth and Income MP strategy. The strategy seeks a combination of long-term growth of capital and income and current income primarily through a balanced exposure to growth and income-oriented equities, and fixed-income securities utilizing predominantly American Funds mutual funds. Beginning October 1, 2016, the American Funds Moderate Growth and Income MP Composite includes all MP portfolios applicable to the Moderate Growth and Income strategy. Prior to October 1, 2016, no MP portfolios were managed in the Moderate Growth and Income strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Moderate Growth and Income Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Conservative Growth and Income MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Conservative Growth and Income MP strategy. The strategy seeks primarily to provide high current income and secondarily long-term growth of capital, through dividend-paying equities and fixed-income securities utilizing predominantly American Funds mutual funds. Beginning October 1, 2016, the American Funds Conservative Growth and Income MP Composite includes all MP portfolios applicable to the Conservative Growth and Income strategy. Prior to October 1, 2016, no MP portfolios were managed in the Conservative Growth and Income strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Conservative Growth and Income Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Preservation MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Preservation MP strategy. The strategy seeks to provide current income, consistent with preservation of capital. Beginning October 1, 2016, the American Funds Preservation MP Composite includes all MP portfolios applicable to the Preservation strategy. Prior to October 1, 2016, no MP portfolios were managed in the Preservation strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Preservation Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. The American Funds Preservation MP Composite inception is October 1, 2016.

The American Funds Retirement Income – Enhanced MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Retirement Income – Enhanced MP strategy. The strategy strives for the balanced accomplishment of three investment objectives: current income, long-term growth of capital and conservation of capital. Beginning October 1, 2016, the American Funds Retirement Income – Enhanced MP Composite includes all MP portfolios applicable to the Retirement Income – Enhanced strategy. Prior to October 1, 2016, no MP portfolios were managed in the Retirement Income – Enhanced strategy, and for that reason, the results presented are based on Capital Group Retirement Income – Enhanced Composite (inception is September 1, 2015) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Retirement Income – Moderate MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Retirement Income – Moderate MP strategy. The strategy strives for the accomplishment of three investment objectives: current income, long-term growth of capital and conservation of capital, with an emphasis on income and conservation of capital. Beginning October 1, 2016, the American Funds Retirement Income – Moderate MP Composite includes all MP portfolios applicable to the Retirement Income – Moderate strategy. Prior to October 1, 2016, no MP portfolios were managed in the Retirement Income – Moderate strategy, and for that reason, the results presented are based on Capital Group Retirement Income – Moderate Composite (inception is September 1, 2015) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Retirement Income – Conservative MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Retirement Income – Conservative MP strategy. The strategy strives for the accomplishment of three investment objectives: current income, long-term growth of capital and conservation of capital, with an emphasis on income and growth of capital. Beginning October 1, 2016, the American Funds Retirement Income – Conservative MP Composite includes all MP portfolios applicable to the Retirement Income – Conservative strategy. Prior to October 1, 2016, no MP portfolios were managed in the Retirement Income – Conservative strategy, and for that reason, the results presented are based on Capital Group Retirement Income – Conservative Composite (inception is September 1, 2015) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Tax-Aware Conservative Growth and Income MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Tax-Aware Conservative Growth and Income MP strategy. The strategy seeks primarily to provide high current income and secondarily long-term growth of capital, through dividend-paying equities and tax-exempt fixed-income securities. Beginning October 1, 2016, the American Funds Tax-Aware Conservative Growth and Income MP Composite includes all MP portfolios applicable to the Tax-Aware Conservative Growth and Income strategy. Prior to October 1, 2016, no MP portfolios were managed in the Tax-Aware Conservative Growth and Income strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Tax-Aware Conservative Growth and Income Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. Composite creation date is October 1, 2016.

The American Funds Tax-Exempt Preservation MP Composite inception is October 1, 2016. The composite consists of all discretionary Model Portfolios ("MP") that are managed according to the American Funds Tax-Exempt Preservation MP strategy. The strategy seeks preservation of capital and current income through a diversified portfolio of high quality tax-exempt fixed-income securities. Beginning October 1, 2016, the American Funds Tax-Exempt Preservation MP Composite includes all MP portfolios applicable to the Tax-Exempt Preservation strategy. Prior to October 1, 2016, no MP portfolios were managed in the Tax-Exempt Preservation strategy, and for that reason, the results presented are based on Capital Group Portfolio Series Tax-Exempt Preservation Composite (inception is June 1, 2012) returns, which contain non-MP similar strategy portfolios. The American Funds Tax-Exempt Preservation MP Composite inception is October 1, 2016.

### Model portfolio index/index blends

Index/Index blends for American Funds Model Portfolios are those that the Portfolio Solutions Committee believes most closely approximate the investment universe of a given model portfolio. The index/index blends do not specifically represent the benchmarks of the underlying funds in the American Funds model portfolio. The index/index blends for the model portfolios are a composite of the cumulative total returns for the indexes and respective weightings listed:

**Global Growth** – MSCI ACWI.

**Growth** – Index Blend: 75% S&P 500 and 25% MSCI ACWI ex USA indexes.

**Moderate Growth** – Index Blend: 60% S&P 500, 25% MSCI ACWI ex USA and 15% Bloomberg U.S. Aggregate indexes.

**Growth and Income** – Index Blend: 50% S&P 500, 25% MSCI ACWI ex USA and 25% Bloomberg U.S. Aggregate indexes.

**Moderate Growth and Income** – Index Blend: 45% S&P 500, 35% Bloomberg U.S. Aggregate and 20% MSCI ACWI ex USA indexes.

**Conservative Growth and Income** – Index Blend: 35% S&P 500, 35% Bloomberg U.S. Aggregate, 15% MSCI ACWI ex USA and 15% Bloomberg U.S. Corporate High Yield 2% Issuer Capped indexes.

**Conservative Income and Growth** – Index Blend: 25% S&P 500, 65% Bloomberg U.S. Aggregate and 10% MSCI ACWI ex USA indexes.

**Retirement Income - Enhanced** – Index Blend: 45% S&P 500, 35% Bloomberg U.S. Aggregate and 20% MSCI ACWI ex USA indexes.

**Retirement Income - Moderate** – Index Blend: 50% Bloomberg U.S. Aggregate, 35% S&P 500 and 15% MSCI ACWI ex USA indexes.

**Retirement Income - Conservative** – Index Blend: 60% Bloomberg U.S. Aggregate, 30% S&P 500 and 10% MSCI ACWI ex USA indexes.

**Conservative Income** – Index Blend: 50% Bloomberg U.S. Aggregate Index, 30% Bloomberg U.S. Government/Credit (1-3 years, ex BBB) Index and 20% S&P 500 indexes.

**Preservation** – Bloomberg 1-5 Years U.S. Government/Credit A+ Index.

**Tax-Aware Moderate Growth** – Index Blend: 60% S&P 500, 25% MSCI ACWI ex USA and 15% Bloomberg Municipal Bond indexes.

**Tax-Aware Growth and Income** – Index Blend: 25% Bloomberg Municipal Bond, 50% S&P 500 and 25% MSCI ACWI ex USA indexes.

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

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

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

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

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

The Magnificent Seven stocks consist of Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla.

The index blends are rebalanced monthly. MSCI index results reflect dividends gross of withholding taxes through 12/31/00 and dividends net of withholding taxes thereafter. The indexes are unmanaged, and their results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. Investors cannot invest directly in an index. There have been periods when the model portfolio has lagged the index/index blend.

Model portfolios are provided to financial intermediaries who may or may not recommend them to clients. The portfolios consist of an allocation of funds for investors to consider and are not intended to be investment recommendations. The portfolios are asset allocations designed for individuals with different time horizons, investment objectives and risk profiles. Allocations may change and may not achieve investment objectives. If a cash allocation is not reflected in a model, the intermediary may choose to add one. Capital Group does not have investment discretion or authority over investment allocations in client accounts. Rebalancing approaches may differ depending on where the account is held. Investors should talk to their financial professional for information on other investment alternatives that may be available. In making investment decisions, investors should consider their other assets, income and investments. Visit [capitalgroup.com](http://capitalgroup.com) for current allocations.

Model portfolios are subject to the risks associated with the underlying funds in the model portfolio. Investors should carefully consider investment objectives, risks, fees and expenses of the funds in the model portfolio, which are contained in the fund prospectuses. Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Smaller company stocks entail additional risks, and they can fluctuate in price more than larger company stocks. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. Investments in mortgage-related securities involve additional risks, such as prepayment risk. Investments in mortgage-related securities involve additional risks, such as prepayment risk. The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional securities, such as stocks and bonds. A nondiversified fund has the ability to invest a larger percentage of assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor results by a single issuer could adversely affect fund results more than if the fund were invested in a larger number of issuers. See the applicable prospectus for details.

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MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global developed and emerging markets, consisting of more than 40 developed and emerging market country indexes. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter.

MSCI All Country World ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global developed and emerging markets, excluding the United States. The index consists of more than 40 developed and emerging market country indexes. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter.

MSCI All Country World ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global developed and emerging markets, excluding the United States. The index consists of more than 40 developed and emerging market country indexes. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter.

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

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

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

Bloomberg 1-3 Year U.S. Government/Credit Index is a market-value weighted index that tracks the total return results of fixed-rate, publicly placed, dollar-denominated obligations issued by the U.S. Treasury, U.S. government agencies, quasi-federal corporations, corporate or foreign debt guaranteed by the U.S. government, and U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements, with maturities of one to three years.

Bloomberg Municipal Bond 1-7 Year Blend Index is a market-value-weighted index that includes investment-grade tax-exempt bonds with maturities of one to seven years.

Bloomberg 1-5 Year U.S. Government/Credit A+ Index is a market-value weighted index that tracks the total return results of fixed-rate, publicly placed, dollar-denominated obligations issued by the U.S. Treasury, U.S. government agencies, quasi-federal corporations, corporate or foreign debt guaranteed by the U.S. government, and U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements, with maturities of one to five years, including A-rated securities and above.

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Russell 1000 Growth Index is a market capitalization-weighted index that represents the large-cap growth segment of the U.S. equity market and includes stocks from the Russell 1000 Index that have higher price-to-book ratios and higher expected growth values.

Russell 1000 Value Index is a market capitalization-weighted index that represents the large-cap value segment of the U.S. equity market and includes stocks from the Russell 1000 Index that have lower price-to-book ratios and lower expected growth values.

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