

Quarter highlights

- All funds rose in value over the quarter, with funds with higher concentrations in equities outpacing those with a fixed income focus.
- Within equities, funds with a U.S. focus trailed those with larger investments in non-U.S. companies.
- Within fixed income, funds with higher exposures to emerging market debt and high-yield bonds outpaced those with larger weightings to high-quality U.S. bonds. In contrast, funds with larger weighting to non-U.S. bonds and inflation-linked debt lagged.

Market review

Global stocks rose modestly, as represented by the MSCI ACWI (All Country World Index), supported by solid corporate earnings and better-than-expected U.S. economic growth. Investor worries about high valuations among artificial intelligence (AI) stocks were offset by stellar quarterly earnings reports from AI-linked companies, including Alphabet, NVIDIA and Microsoft.

U.S. stocks advanced during a volatile quarter, as a pair of interest rate cuts and strong corporate earnings outweighed growing concerns of an AI bubble. Trade tensions eased, which helped stabilize markets. Health care and communication services led the S&P 500 Index as most sectors traded higher. Overall, the S&P 500 Index rose nearly 3%, reaching several new all-time highs throughout the quarter.

European stocks moved higher amid solid corporate earnings and signs of improving economic growth. Stocks advanced, despite elevated inflation in the 20-member eurozone, as consumer price increases remained above the European Central Bank's 2% target for three months in a row. Overall, the MSCI Europe Index gained more than 6% for the quarter, lifting year-to-date gains above 35%.

Japanese equities (MSCI Japan Index) rose, buoyed by optimism over improved U.S.-Japan trade ties, a weaker yen and corporate reforms. Most sectors advanced, led by utilities and energy, while communication services was the only detractor. The yen depreciated 5.8% against the U.S. dollar.

U.S. bonds produced positive results in the fourth quarter. The Bloomberg U.S. Aggregate Index rose 1.1%, amid falling short-term interest rates. The Treasury yield curve steepened during the quarter. The yield on U.S. Treasury 10-year notes climbed 2 basis points (bps) to 4.17%, while the two-year yield fell 13 bps from last quarter to 3.48%. In U.S. credit markets, investment-grade bonds, tracked by the Bloomberg U.S. Corporate Investment Grade Index, gained 0.84% while high-yield bonds, measured by the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, advanced 1.31%.

Portfolio review

All funds rose in value over the quarter, with funds with higher concentrations in equities outpacing those with a fixed income focus.

Funds with a U.S. equities focus trailed those with larger investments in non-U.S. equities. Investors started to question the cost of AI investment, leading to stronger returns from Japanese, European and Emerging Markets.

Funds with higher exposures to emerging market debt and high-yield bonds outpaced those with larger weightings to high-quality U.S. bonds. In contrast, funds with larger weighting to non-U.S. bonds and inflation-linked debt lagged.

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Class F-2 share returns for periods ended 12/31/25

	Total returns (%)			Average annual total returns (%)				Expenses (%)
	QTD	YTD	1 year	3 years	5 years	10 years	Fund lifetime*	
American Funds Global Growth Portfolio	3.85	23.35	23.35	20.89	8.31	11.56	11.73	0.55
American Funds Growth Portfolio	3.13	20.77	20.77	23.39	10.36	12.74	13.07	0.47
American Funds Growth and Income Portfolio	2.67	18.49	18.49	17.45	9.75	10.69	10.71	0.44
American Funds Moderate Growth and Income Portfolio	2.86	17.26	17.26	14.26	8.09	9.06	9.33	0.45
American Funds Conservative Growth and Income Portfolio	2.13	14.56	14.56	11.23	7.34	7.63	7.43	0.41
American Funds Tax-Aware Conservative Growth and Income Portfolio	2.64	14.07	14.07	12.11	7.40	7.82	8.16	0.45
American Funds Preservation Portfolio	1.13	6.05	6.05	4.81	1.54	2.18	1.86	0.37
American Funds Tax-Exempt Preservation Portfolio	0.77	4.85	4.85	3.70	1.38	1.89	2.05	0.35
S&P 500 Index	2.66	17.88	17.88	23.01	14.42	14.82	–	–
MSCI All Country World Index (ACWI)	3.29	22.34	22.34	20.65	11.19	11.72	–	–
Bloomberg 1-5 Year U.S. Government/Credit A+ Index	1.16	5.98	5.98	4.72	1.43	1.99	–	–
Bloomberg Municipal Bond 1-7 Year Blend Index	0.59	4.74	4.74	3.43	1.26	1.87	–	–

Footnote/Important information:

*Funds' inception date: May 18, 2012

S&P 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks. **MSCI ACWI** 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 net of withholding taxes. **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. **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 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 U.S. Corporate Investment Grade Index** represents the universe of investment-grade, publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **MSCI Japan Index** is designed to measure the equity market results of Japan. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe.

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