**Objective:** The fund’s investment objective is to achieve long-term growth of capital and income.

**Distinguishing characteristics:** With an emphasis on growth over income, the strategy seeks undervalued and overlooked opportunities, investing in companies with high-quality products and leading market shares with the underappreciated potential for growth in sales, earnings and dividends.

**Implementation guidance:** Consider for a large-cap core allocation.

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**Quarterly review**

- U.S. equity markets fluctuated during the quarter, but closed with solid gains. Better-than-forecast first-quarter earnings and hopes of resolution in the trade dispute with China lifted shares early in the quarter. However, shares subsequently retreated as trade tensions swelled between the U.S. and China. Attempts at a resolution proved elusive as the U.S. and China lobbed tariffs and threats to further restrict trade. A sharp selloff took hold in late May on the heels of the U.S. presidential administration threatening tariffs against Mexico over immigration policies. In June, equity markets recovered most of the prior weeks’ losses, boosted by supportive comments from central bankers globally.

- At a sector level, materials companies rallied strongly, as did the information technology sector, although semiconductor companies lagged on concerns over heightened trade tensions with China. Financials stocks also delivered robust gains, with solid first-quarter earnings, particularly from retail banks, helping the sector register its strongest monthly return in over two years in April. More defensive sectors, such as utilities, lagged.

- Economic data suggested that U.S. growth was slowing from the 3.1% annualized growth rate recorded in the first quarter of the year. In May, the Institute of Supply Managers’ survey of manufacturing activity marked the slowest rate of expansion since October 2016, although nonmanufacturing activity rose to a three-month high. Job growth also slowed, with the economy adding only 75,000 jobs in May, the weakest reading since February, although June’s reading was stronger than forecast.

- As trade tensions rattled equity markets and U.S. economic growth slowed, speculation grew that the Federal Reserve would consider reducing rates. In its June meeting, the Fed kept rates unchanged, but appeared to shift toward a more dovish stance, suggesting the possibility of a rate cut in 2020. Fed chair Jerome “Jay” Powell cited uncertainties in the economic outlook and signaled that the Fed would “act as appropriate to sustain the expansion.”

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**Long-term perspective**

- The fund benefits from the diverse perspectives of its portfolio managers who rely on fundamental research to discover overlooked and/or out-of-favor value opportunities that may not be apparent to other investors.

- In recent years, the fund has maintained sizable investments in companies that are more sensitive to the economic cycle. As such, it holds relatively extensive investments in firms within the information technology, industrials, energy and materials sectors compared to those in more defensive sectors.

- The fund adopts a flexible approach and emphasizes capital appreciation over yield. This flexibility allows portfolio managers to pursue investments in companies with high growth potential and those that have the strong potential to initiate dividends, in addition to fundamentally sound companies that already pay dividends.

- Fundamental Investors can have up to 35% of its assets located outside of the U.S. This geographic flexibility also provides investment opportunities not fully recognized by investors.

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Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.
Figures shown are past results for Class F-1, F-2, F-3 and R-6 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. For current information and month-end results, visit americanfunds.com or americanfundsretirement.com.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total returns (%</th>
<th>Average annual total returns (%)</th>
<th>Expense ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 mo</td>
<td>YTD</td>
<td>1 year</td>
</tr>
<tr>
<td>Fundamental Investors F-1</td>
<td>2.79</td>
<td>15.05</td>
<td>5.32</td>
</tr>
<tr>
<td>Fundamental Investors F-2</td>
<td>2.86</td>
<td>15.21</td>
<td>5.60</td>
</tr>
<tr>
<td>Fundamental Investors F-3</td>
<td>2.88</td>
<td>15.27</td>
<td>5.71</td>
</tr>
<tr>
<td>Fundamental Investors R-6</td>
<td>2.88</td>
<td>15.26</td>
<td>5.71</td>
</tr>
<tr>
<td>Standard &amp; Poor’s 500 Composite Index</td>
<td>4.30</td>
<td>18.54</td>
<td>10.42</td>
</tr>
<tr>
<td>Lipper Growth and Income Funds Index</td>
<td>3.36</td>
<td>14.81</td>
<td>6.66</td>
</tr>
</tbody>
</table>

Market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. Lipper indexes track the largest mutual funds (no more than 30), represented by one share class per fund, in the corresponding Lipper category. Lipper categories are dynamic and averages may have few funds, especially over longer periods. To see the number of funds included in the Lipper category for each fund’s lifetime, please see the Quarterly Statistical Update, available on our website. There have been periods when the fund has lagged the indexes.

We offer a range of share classes designed to meet the needs of retirement plan sponsors and participants. The different share classes incorporate varying levels of advisor compensation and service provider payments. Because Class R-6 shares do not include any recordkeeping payments, expenses are lower and results are higher. Other share classes that include recordkeeping costs have higher expenses and lower results than Class R-6.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see americanfunds.com for more information. Certain share classes were offered after the inception dates of some funds. Results for these share classes prior to the dates of first sale are hypothetical based on Class A share results without a sales charge, adjusted for estimated annual expenses. (Inception date: Class F-1, March 15, 2001; Class F-2, August 1, 2008; Class F-3, January 27, 2017; Class R-6, May 1, 2009.) Results for certain funds with an inception date after the share class inception also include hypothetical returns because those funds’ shares sold after the date of first offering. Please see americanfunds.com for more information on specific expense adjustments and the actual dates of first sale. Expense ratios are as of the fund’s prospectus available at the time of publication.
**Commentary**

- Holdings of tobacco companies weighed on relative returns in the consumer staples sector. British American Tobacco was among the largest detractors amid signs of accelerating decline in U.S. cigarette sales.
- Broadcom and Intel held back relative results among information technology companies. Semiconductor companies, in general, were pressured by fears that demand would be curtailed by the re-escalation of the trade dispute between the U.S. and China, with the latest measures including technology-focused restrictions as well as higher tariffs.
- The selection of investments in the health care sector hampered results. Regeneron Pharmaceuticals was among the notable detractors amid flagging sales growth from its macular degeneration drug Eylea.
- The fund’s more meaningful investments in energy companies hindered results. The sector was among those with the weakest returns through the quarter, owing to a sharp decline in oil prices as rising U.S. output and higher stockpiles outweighed rising geopolitical tensions in the Middle East.
- Strong returns from Charter Communications lifted results among communication services companies. Higher internet speeds helped Charter see strong subscriber growth in the first quarter of 2019, compared to the year-ago period.

**ENG=ENERGY, MAT=MATERIALS, IND=INDUSTRIALS, CD=CONSUMER DISCRETIONARY, CS=CONSUMER STAPLES, HC=HEALTH CARE, FIN=FINANCIALS, IT=INFORMATION TECHNOLOGY, COM= COMMUNICATION SERVICES, UTL=UTILITIES, RE=REAL ESTATE, CA=CASH**
## Quarterly analysis

### Top five security contributors versus S&P 500 Index

<table>
<thead>
<tr>
<th>Company</th>
<th>Portfolio* %</th>
<th>Index* %</th>
<th>Relative contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charter Communications, Inc. Class A</td>
<td>1.94</td>
<td>0.27</td>
<td>0.15</td>
</tr>
<tr>
<td>ISR: Alphabet Inc. Class A</td>
<td>1.98</td>
<td>2.93</td>
<td>0.13</td>
</tr>
<tr>
<td>Exxon Mobil Corporation</td>
<td>0.16</td>
<td>1.37</td>
<td>0.11</td>
</tr>
<tr>
<td>Microsoft Corporation</td>
<td>5.08</td>
<td>4.05</td>
<td>0.09</td>
</tr>
<tr>
<td>3M Company</td>
<td>0.05</td>
<td>0.44</td>
<td>0.08</td>
</tr>
</tbody>
</table>

### Bottom five security contributors versus S&P 500 Index

<table>
<thead>
<tr>
<th>Company</th>
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<th>Relative contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regeneron Pharmaceuticals, Inc.</td>
<td>0.89</td>
<td>0.11</td>
<td>-0.27</td>
</tr>
<tr>
<td>Broadcom Inc.</td>
<td>3.43</td>
<td>0.48</td>
<td>-0.24</td>
</tr>
<tr>
<td>British American Tobacco p.l.c.</td>
<td>1.09</td>
<td>0.00</td>
<td>-0.23</td>
</tr>
<tr>
<td>Intel Corporation</td>
<td>2.28</td>
<td>0.93</td>
<td>-0.20</td>
</tr>
<tr>
<td>Simon Property Group, Inc.</td>
<td>0.95</td>
<td>0.22</td>
<td>-0.12</td>
</tr>
</tbody>
</table>

* Average position for quarter; portfolio holdings change.

### Commentary

#### Charter Communications

Charter Communications is a U.S.-based telecommunications company. Shares were boosted by strong subscriber growth and broker upgrades, as well as expectations that it was on course to further increase market share in the broadband segment. Offering higher internet speeds helped Charter attract an additional 398,000 residential internet customers in the first quarter of 2019 versus 334,000 in the year-ago period.

#### Microsoft

Microsoft is one of the largest technology companies that develops, manufactures and licenses a range of software products and services. Shares rallied after fiscal third-quarter results exceeded forecasts, with strong gains from its cloud business and an improvement in sales from its Windows operating system. Revenue from its cloud-computing business surged by 41% year over year, with sales from its business cloud-computing unit Azure jumping by 73%. There was also positive sentiment in June as Microsoft announced the upcoming launch of its next generation Xbox gaming console, claiming it would be four times as powerful as the current model.

#### Regeneron Pharmaceuticals

Regeneron Pharmaceuticals is an integrated biopharmaceutical company for the treatment of serious medical conditions. Shares declined after first-quarter revenue and earnings disappointed forecasts, amid flagging sales growth from its macular degeneration drug Eylea. An increase in research and development costs as well as selling, general and administrative expenses also put pressure on the bottom line.

#### Broadcom

Broadcom is a semiconductor company and leader in wireless radio frequency solutions and high-speed opto-electronics. Shares were hit by an escalation in the U.S./China trade war and the U.S. ban on exports to Chinese telecom group Huawei Technologies. Broadcom warned the latter would hit annual revenue by $2 billion, while the worsening trade war with China led Broadcom’s other customers to cut inventory, further weighing on the semiconductor group’s full-year guidance.

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The mnemonic ‘ISR:’ indicates that two or more issues of the same issuer have been rolled up and thus what is presented in the report is the Issuer Level data.
**Commentary**

- While information technology companies delivered strong year-to-date returns, investment selection weighed on relative results. Intel and Taiwan Semiconductor Manufacturing were among the largest detractors as semiconductor companies were pressured by fears of slowing global demand due to the trade dispute between the U.S. and China.
- Regeneron Pharmaceuticals also dragged on results in the health care sector. In part, this was offset by the fund’s less meaningful investments in the sector. This was beneficial for relative results as the health care sector lagged the broader market as a focus on drug pricing ahead of the 2020 election cycle pressured sentiment.
- Holdings of energy companies hindered relative results. Against the backdrop of declining oil prices, the sector lagged the broader market.
- Investment selection among financials companies held back relative returns.
- The selection of investments in the materials sector dampened relative returns, with DuPont de Nemours among the most notable detractors. During the period, DowDuPont split into three separate companies: DuPont de Nemours will focus on specialty chemical products, while Dow will be dedicated to commodity chemical products and Corteva on agricultural chemicals.
- In the communication services sector, Charter Communications was among the top contributors to returns, helped by strong subscriber growth.

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**YTD Year-to-date analysis**

<table>
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<th>Top five security contributors versus S&amp;P 500 Index</th>
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<td><strong>Company</strong></td>
<td><em><em>Portfolio</em> %</em>*</td>
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<tr>
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</tr>
<tr>
<td>Airbus SE</td>
<td>0.97</td>
</tr>
<tr>
<td>TransDigm Group Incorporated</td>
<td>0.94</td>
</tr>
<tr>
<td>AbbVie, Inc.</td>
<td>0.18</td>
</tr>
<tr>
<td>Pfizer Inc.</td>
<td>0.46</td>
</tr>
</tbody>
</table>

* Average position for time period; portfolio holdings change.

**Commentary**

**Airbus**

Airbus manufactures aircrafts, helicopters and military equipment. Shares were boosted by positive financial results and strong orders. The company beat fourth-quarter earnings forecasts and raised its guidance for plane deliveries and operating profit for 2019. There was also a positive reaction to its decision to discontinue production of its loss-making A380 passenger plane. In June, shares were further boosted by strong orders for Airbus’ new long range A321XLR jet.

**TransDigm**

TransDigm provides aircraft components for commercial and military U.S. aircraft services, operating through the Power & Control, Airframe and Non-Aviation segments. Shares rallied after the company reported strong first- and second-quarter fiscal 2019 results, beating earnings as well as revenue forecasts for both periods. It also issued better-than-expected revenue guidance. Sales grew in the double digits across both its commercial and defense divisions, while strong margins and its acquisition of aerospace and defense component manufacturer, Esterline Technologies, buoyed sentiment on the outlook. Investors were also relieved that a government investigation over TransDigm’s pricing practices had run its course.

**DuPont de Nemours**

DuPont de Nemours is a specialty chemicals producer. The company was formed in June, when it was split off from the DowDuPont chemical group. Shares were hindered by the weak momentum in key cyclical sectors, such as autos, given concerns over the global growth outlook and the recent escalation in the U.S./China trade dispute.

**Taiwan Semiconductor Manufacturing**

Taiwan Semiconductor Manufacturing Company (TSMC) is one of the world’s largest semiconductor manufacturers with a market share of about 55%. Shares were hindered by TSMC’s weak first-quarter guidance, as the company forecast revenue to drop by 14% in the quarter. TSMC warned first-quarter results would be adversely hit by falling sales of high-end smartphones, with weakness set to continue until new smartphone models are launched in the second half of the year. Shares suffered from worries over falling demand from Chinese telecoms firm Huawei, after the latter was placed on a blacklist by the U.S. Department of Commerce over alleged business links with Iran, thereby restricting U.S. firms from doing business with it.

* The mnemonic ‘ISR:* indicates that two or more issues of the same issuer have been rolled up and thus what is presented in the report is the Issuer Level data.
The rapid change in course from the U.S. Federal Reserve has been the most important driver for financial markets in 2019, and I believe the Fed’s actions will continue to be critical for the rest of the year. The Fed has not only signaled that further rate increases are unlikely, but that there is an increasing likelihood of rate cuts – a big change from a year ago. Taken in combination with the end of quantitative tightening later this year, these monetary policy developments have supported the rebound in the equity markets.

With global trade tensions heightened and falling inflation expectations, I believe this policy reversal by the Fed is justified. As the 10-year Treasury yield has fallen from over 3% to closer to 2% during the past year, I’ve become less interested in utilities and REITs, and, assuming the Fed cuts rates soon enough to avoid a recession, some financials are beginning to look attractive. The Fed’s tightening and a solid U.S. economy has buoyed the U.S. dollar, serving as a headwind for non-U.S. companies and multinational firms with international operations. If the Fed moves toward easing monetary policy, this trend may reverse. Lower valuations among companies with exposure outside the U.S. could also provide investment opportunities moving forward.

In terms of company-specific risks, I am focused on ensuring managements are aware of the risks they are taking with their balance sheets, as some companies are in danger of becoming overlevered. This is my focus in sectors such as communication services or consumer staples, which are perceived as more defensive and less economically sensitive. While more expensive in the near term, large technology firms tend to have better balance sheets, in my opinion, with little or no debt. Meanwhile, the recent selloff in health care stocks, which was largely based on political risk in the U.S., also presents investment opportunities in select companies.

— Julian N. Abdey (June 2019)

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Although the American Funds are compared to their benchmarks, portfolio managers manage the funds consistent with each fund’s investment objectives.
Index definitions

Standard & Poor’s 500 Composite Index is a market capitalization-weighted index based on the average weighted results of approximately 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or taxes.

Lipper Growth and Income Funds Index is an equally weighted index of funds that combine a growth-of-earnings orientation and an income requirement for level and/or rising dividends. The results of the underlying funds in the index include the reinvestment of dividends and capital gain distributions, as well as brokerage commissions paid by the funds for portfolio transactions and other fund expenses, but do not reflect the effect of sales charges, account fees or taxes.

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Source: Thomson Reuters Lipper

Attribution methodology disclosure

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