



AMERICAN FUNDS®

From Capital Group

Reasons to Diversify

Diversifying Your Entire Investment Portfolio

Demand for global and international mutual funds has picked up over the past decade as the U.S. market trailed. However, U.S. stocks had the best return for each of the years from 2013 to 2016, underscoring the importance of remaining diversified in stocks and bonds from around the world to take advantage of opportunities wherever they may appear.

Are Your Portfolio Returns as Consistent as They Could Be?

Calendar-Year Total Returns of Selected Asset Classes (%)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
U.S. bonds 5.24	Emerging market stocks 78.51	Global small-company stocks 26.28	U.S. bonds 7.84	Emerging market stocks 18.22	U.S. large-company stocks 32.39	U.S. large-company stocks 13.69	U.S. large-company stocks 1.38	U.S. large-company stocks 11.96	Emerging market stocks 37.28
Int'l bonds 4.79	Global small-company stocks 50.67	Emerging market stocks 18.88	Int'l bonds 5.64	Global small-company stocks 18.06	Global small-company stocks 28.66	U.S. bonds 5.97	U.S. bonds 0.55	Global small-company stocks 11.59	Int'l stocks 27.19
Cash 1.60	Int'l stocks 41.45	U.S. large-company stocks 15.06	U.S. large-company stocks 2.11	Int'l stocks 16.83	Int'l stocks 15.29	Global small-company stocks 1.78	Cash 0.02	Emerging market stocks 11.19	Global small-company stocks 23.81
U.S. large-company stocks -37.00	U.S. large-company stocks 26.46	Int'l stocks 11.15	Cash 0.04	U.S. large-company stocks 16.00	Cash 0.02	Int'l bonds 0.59	Global small-company stocks -1.04	Int'l stocks 4.50	U.S. large-company stocks 21.83
Global small-company stocks -43.68	Int'l bonds 6.93	U.S. bonds 6.54	Global small-company stocks -11.30	Int'l bonds 4.32	U.S. bonds -2.02	Cash 0.02	Int'l bonds -3.15	U.S. bonds 2.65	Int'l bonds 7.39
Int'l stocks -45.53	U.S. bonds 5.93	Int'l bonds 5.54	Int'l stocks -13.71	U.S. bonds 4.21	Int'l bonds -2.60	Emerging market stocks -2.19	Int'l stocks -5.66	Int'l bonds 2.09	U.S. bonds 3.54
Emerging market stocks -53.33	Cash 0.10	Cash 0.12	Emerging market stocks -18.42	Cash 0.06	Emerging market stocks -2.60	Int'l stocks -3.87	Emerging market stocks -14.92	Cash 0.20	Cash 0.80

Sources: U.S. large-company stocks – Standard & Poor’s 500 Composite Index; Global small-company stocks – S&P Global <\$3 Billion Index (1991-1994), MSCI All Country World Small Cap Index (1995-present, results reflect net dividends); International stocks – MSCI All Country World ex USA Index (results reflect gross dividends through 2000, net dividends thereafter); Emerging market stocks – MSCI Emerging Markets Index (results reflect gross dividends through 2000, net dividends thereafter); U.S. bonds – Bloomberg Barclays U.S. Aggregate Index; International bonds – Citigroup World Government Bond Index (1988-1989), Bloomberg Barclays Global Aggregate Index (1990-present); Cash – 30-day U.S. Treasury bills, as calculated by Ibbotson Associates. Unlike fund shares, U.S. Treasury bills are guaranteed. Indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

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

Diversifying Your Bond Portfolio

Over the next two decades, 75 million more Americans will reach age 65. This transition is leading many investors to focus on fixed income. Yet, as the need for portfolio income and lower volatility grows, investors face an increasingly global and complex fixed-income universe. Actively managed bond mutual funds with the flexibility to invest in a broad range of fixed-income sectors may offer compelling opportunities for investors seeking the potential benefits of diversification.

Sources: Cash – Ibbotson U.S. Treasury Bills Index; Emerging Markets – J.P. Morgan Emerging Markets Bond Index Global; Government – Bloomberg Barclays U.S. Government Index; High Yield – Credit Suisse High Yield Index; Intermediate Gov't/Corp – Bloomberg Barclays U.S. Intermediate Government/Credit Index; International Gov't – Citigroup Non-U.S. Dollar World Government Bond Index; Investment-Grade Corp – Bloomberg Barclays U.S. Corporate Investment-Grade Bond Index; Mortgage-Backed – Bloomberg Barclays U.S. Mortgage-Backed Securities (MBS) Index; Municipal Bond – Bloomberg Barclays Municipal Bond Index; Short-Term Gov't/Corp – Bloomberg Barclays 1-3 Year Government/Credit Index. Indexes shown include reinvested distributions. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Do You Have Access to the Bond Market's Best Opportunities?

Calendar-Year Total Returns of Selected Fixed-Income Sectors (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government	12.39	58.76	14.94	10.70	18.54	7.44	9.05	3.30	17.13	10.33
Internat'l Gov't	10.11	28.18	12.04	9.02	15.78	0.64	7.46	1.51	10.19	9.32
Mortgage-Backed	8.34	18.68	9.00	8.46	9.82	0.02	6.08	1.23	6.11	7.50
Intermediate Gov't/Corp	5.08	12.91	5.89	8.15	6.78	-0.86	5.53	1.07	2.08	6.42
Short-Term Gov't/Corp	4.97	5.89	5.52	6.23	3.89	-1.41	4.92	0.86	1.81	5.45
Cash	1.60	5.24	5.37	5.80	2.59	-1.53	3.13	0.65	1.67	2.47
Municipal	-2.47	4.39	5.21	5.17	2.02	-2.55	2.46	0.02	1.28	2.30
Investment-Grade Corp	-4.94	3.83	2.80	4.96	1.51	-2.60	0.77	-0.68	1.05	2.14
Emerging Markets	-10.91	0.10	2.38	1.59	1.26	-4.56	0.02	-4.43	0.25	0.84
High Yield	-25.88	-2.20	0.12	0.04	0.06	-6.58	-2.68	-5.54	0.20	0.80

Figures shown are past results and are not predictive of results in future periods. The return of principal for bond funds and 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. Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies, such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness. Investing outside the United States involves risks such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in each fund's prospectus. These risks may be heightened in connection with investments in developing countries. Investing in international government and emerging market debt is subject to additional risks. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks. Diversification does not eliminate the risks of investing.

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