American Funds®

Figures are past results and 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.

Investing in an uncertain market

Agenda

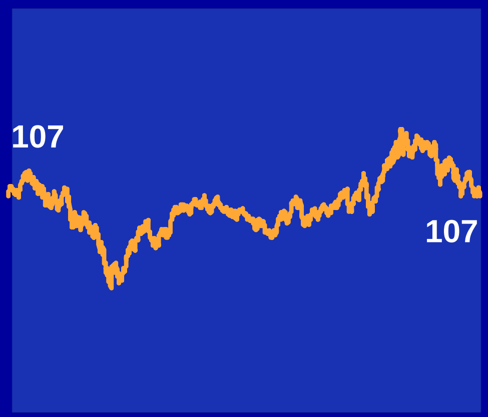
- Setting realistic expectations
- Three specific investment strategies
- Customizing your portfolio
- The value of long-term investing

Set realistic expectations

What does history show us?

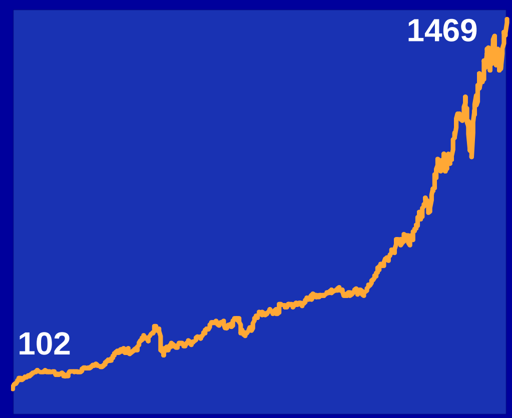
The stock market (S&P 500 Index) can move in three directions

Flat



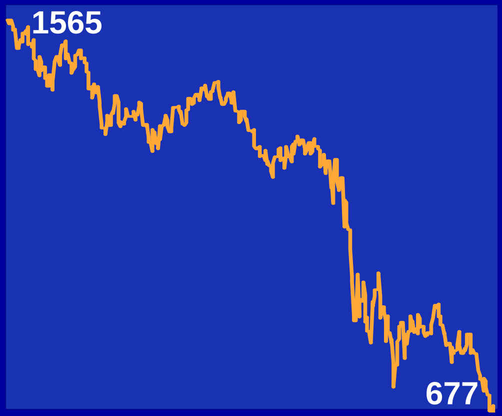
1972 – 1982

Up



1982 – 1999

Down



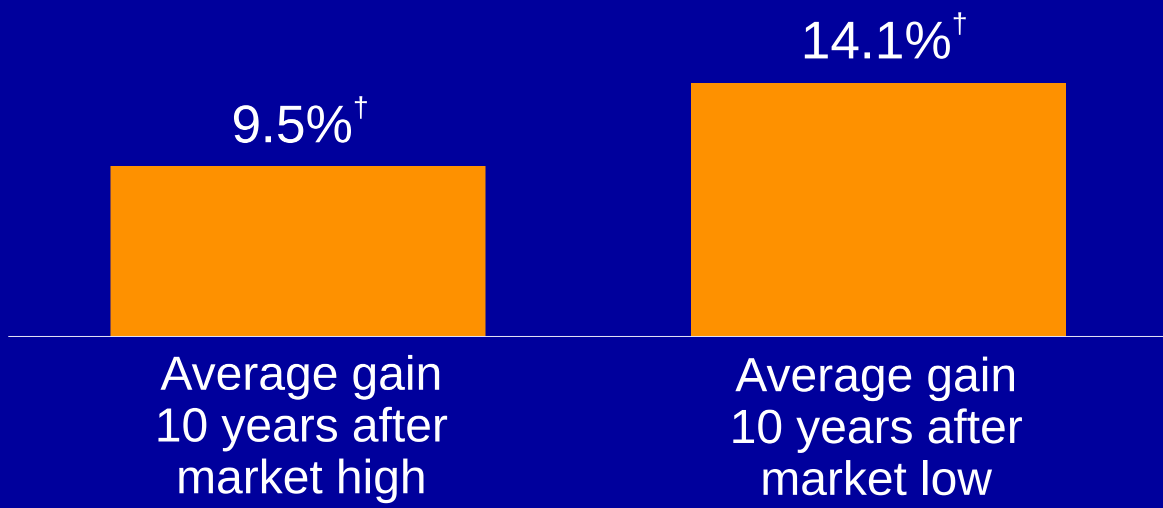
2007 – 2009

Source: Standard & Poor's 500 Composite Index, 7/31/72–7/30/82, 8/12/82–12/31/99, 10/9/07–3/9/09.

Markets have recovered

The benefits of patience

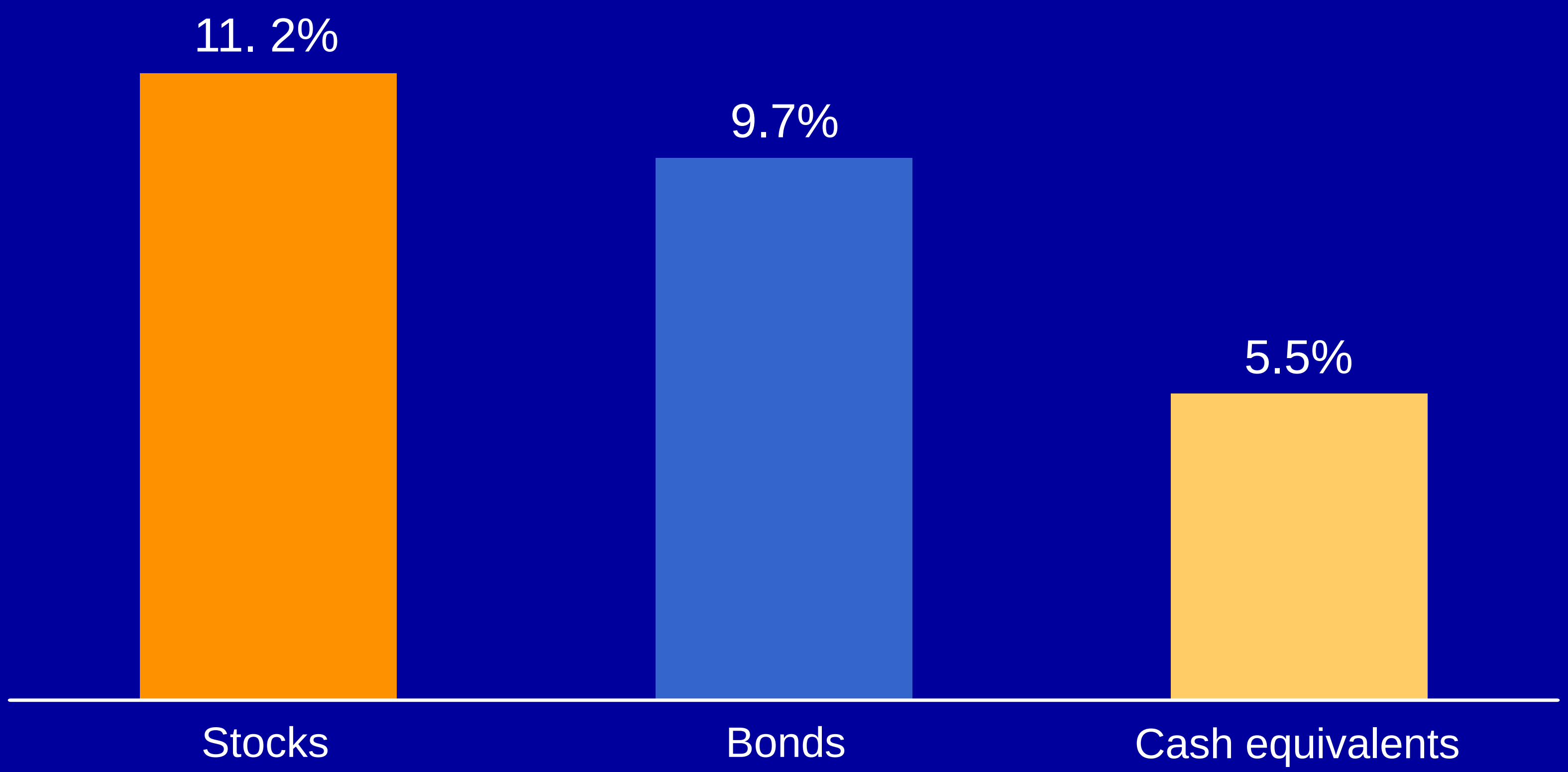
In 8 bear markets since 1956:*



*Excludes the most recent declines, 2000–2002 and 2007–2009. A new decline is considered to have begun only after the market has recovered 50% of the value lost in the previous decline.
†Represents average of the annualized total returns, with all distributions reinvested, over the 10-year periods following the eight bear markets.
Source: Dow Jones Industrial Average.

Long-term returns

Average annual total returns, 1/1/80 – 12/31/09



Sources: stocks — Standard & Poor’s 500 Composite Index; bonds — Ibbotson Long-Term Corporate Bonds Index; cash equivalents — Ibbotson U.S. Treasury bills Index. Data from Ibbotson Associates.

Risk-reward connection

Tolerance for volatility

High

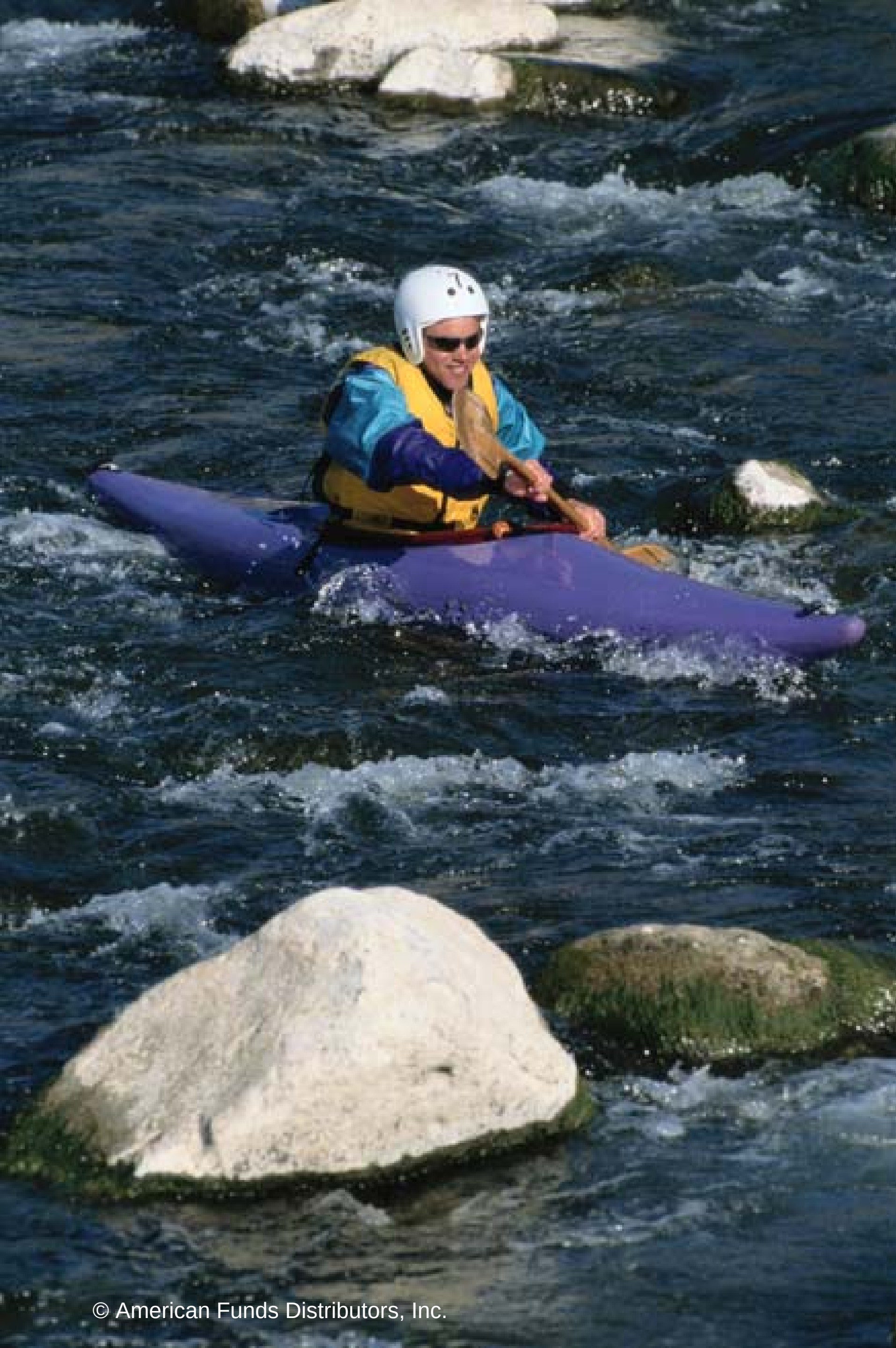
Even wide swings won’t deter you from your strategy because you can look past them

Medium

Wide swings keep you from getting a good night’s sleep, but some fluctuation is okay

Low

You have trouble with any downturn and want consistent returns, even if they’re low



Three investment strategies

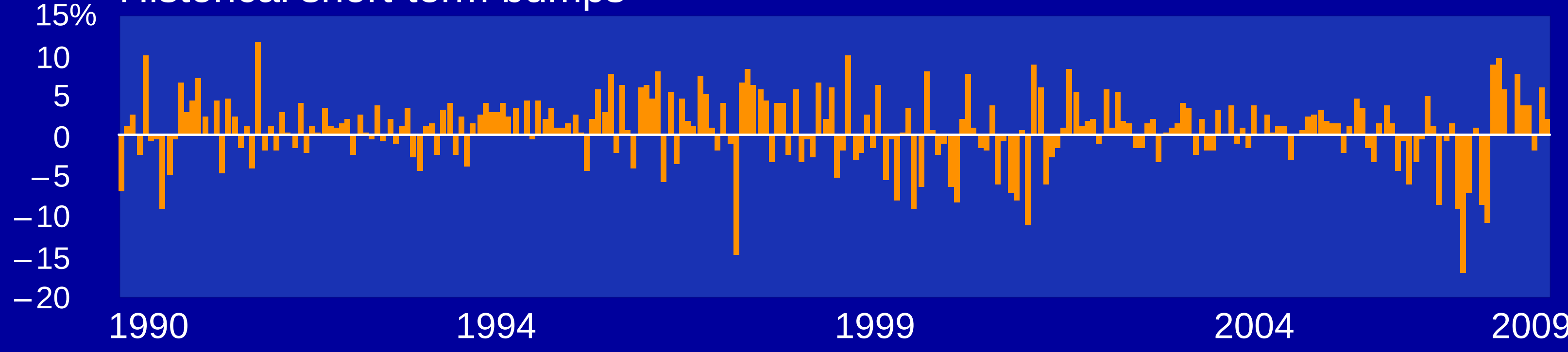
Strategies for sound investing

- Buy and hold
- Regular investing
- Diversification

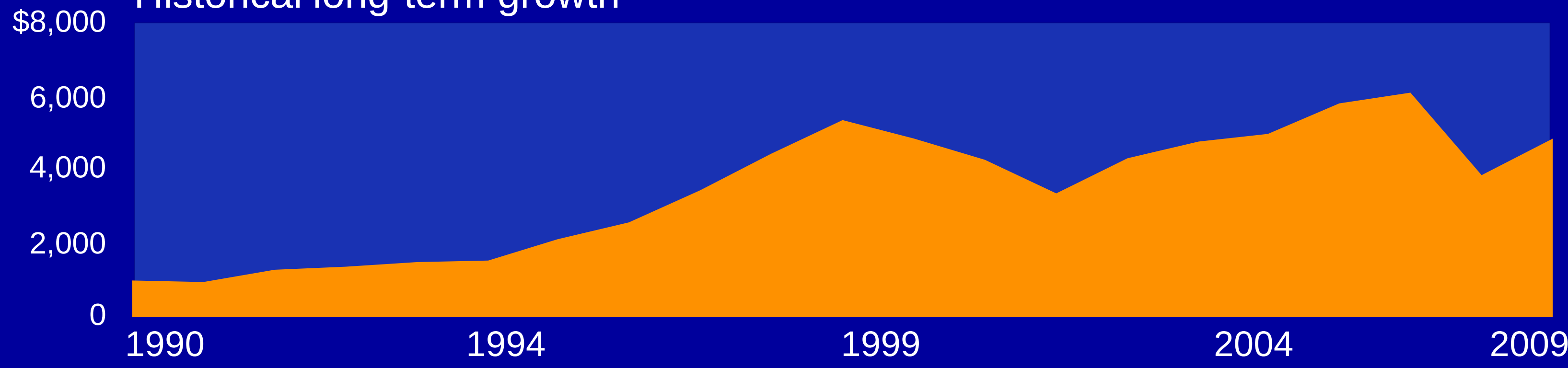
What’s your perspective?

Focus on the long term, not the bumps along the way

Historical short-term bumps



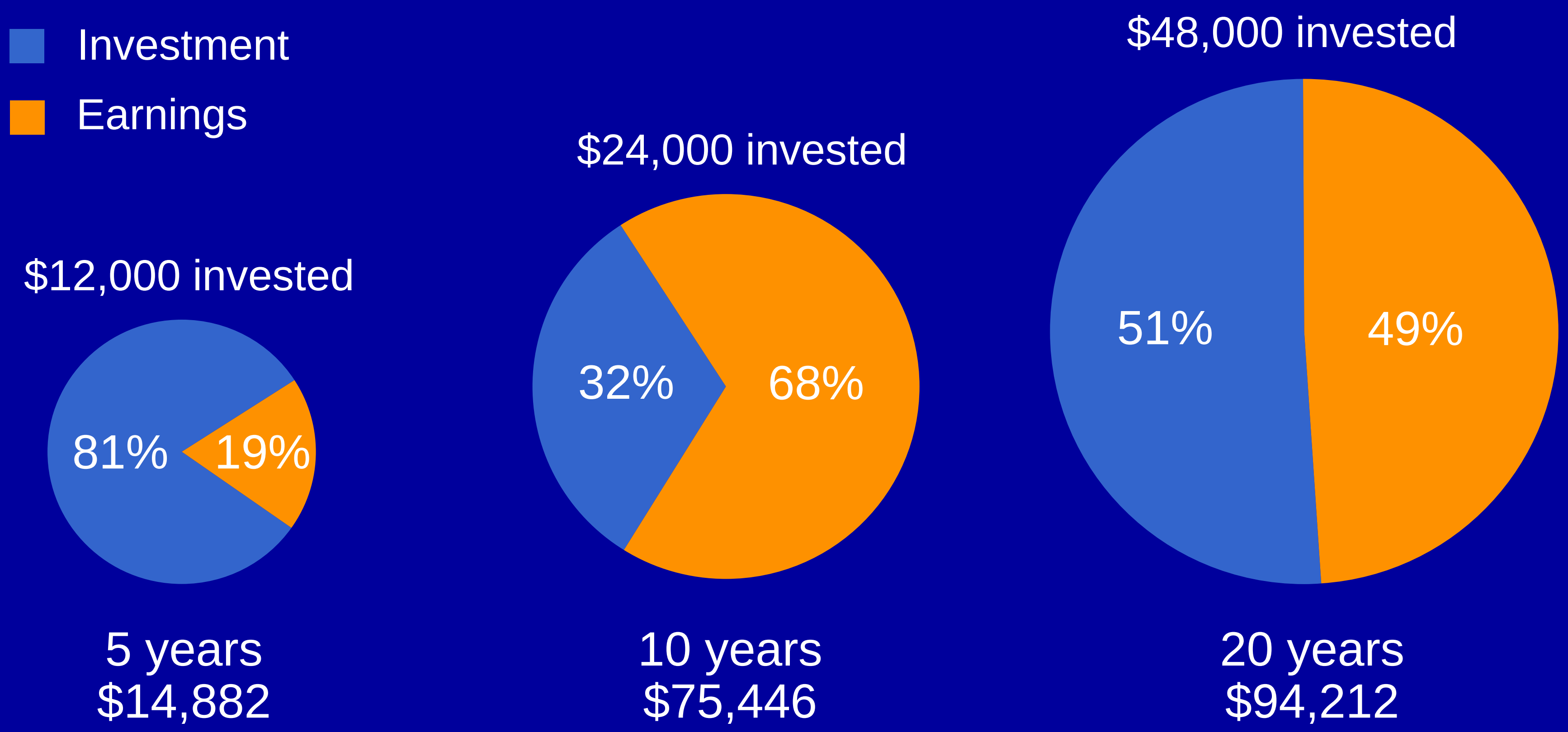
Historical long-term growth



Short-term bumps shown by the unmanaged Standard & Poor’s 500 Composite Index and reflected in monthly return percentages from 1/1/90 through 12/31/09. Long-term growth represented by a hypothetical $1,000 initial investment in the same index from 12/31/89 to 12/31/09. Index results assume reinvestment of dividends, no sales charges and no taxes.

The power of compounding

$200 per month invested in the S&P 500, 1/1/90 – 12/31/09



Results based on Standard & Poor's 500 Composite Index, with dividends reinvested. Cumulative earnings equals year-end account value less cumulative investment.

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Regular investing

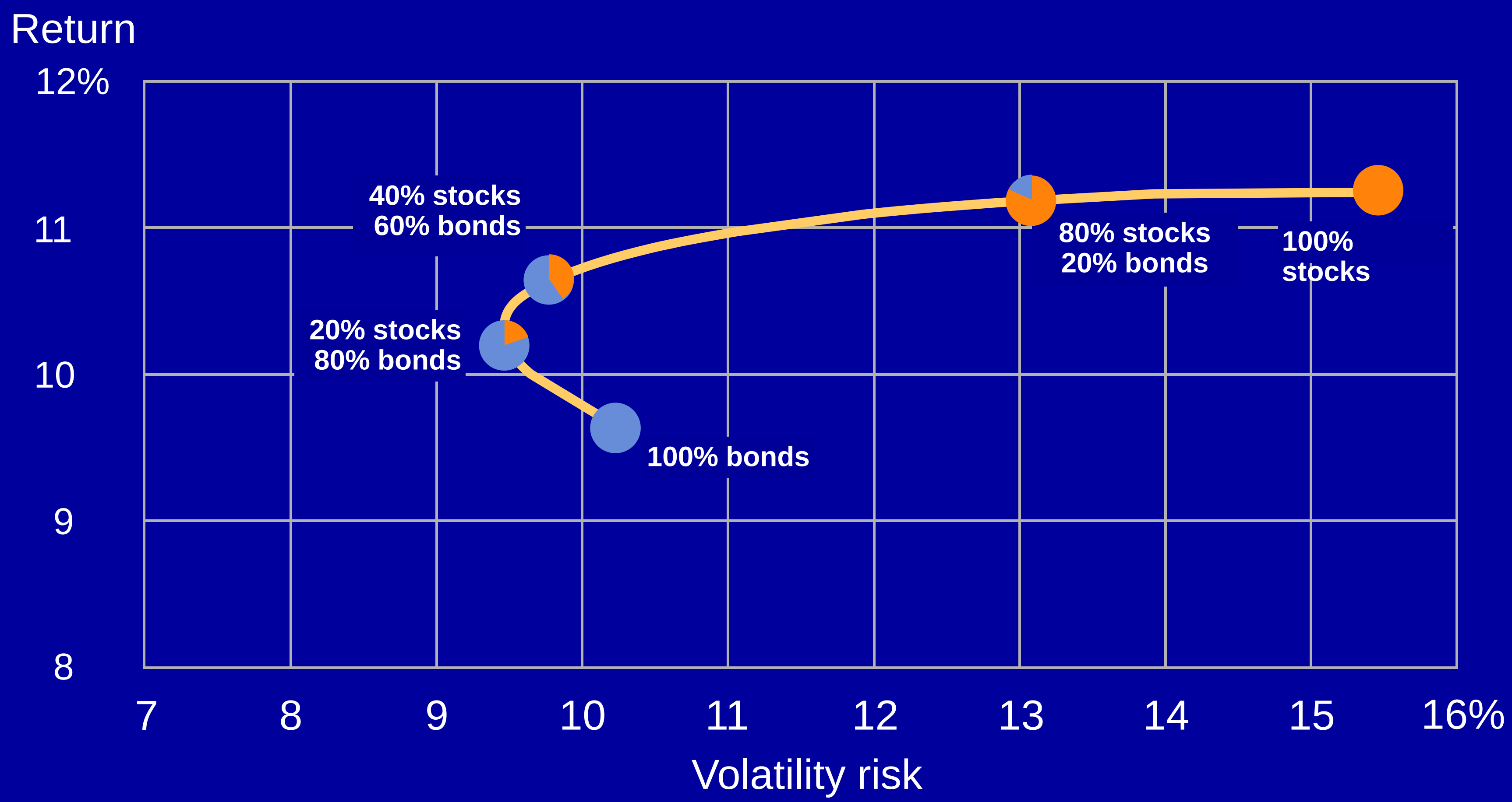
- Also known as dollar cost averaging
- Gradual approach
- Involves investing a fixed amount on a regular schedule

Benefits of regular investing

- Encourages discipline
- Offers a systematic approach
- Keeps you investing through down markets
- Eases anxiety about daily market fluctuations

Diversification: the risk-return relationship

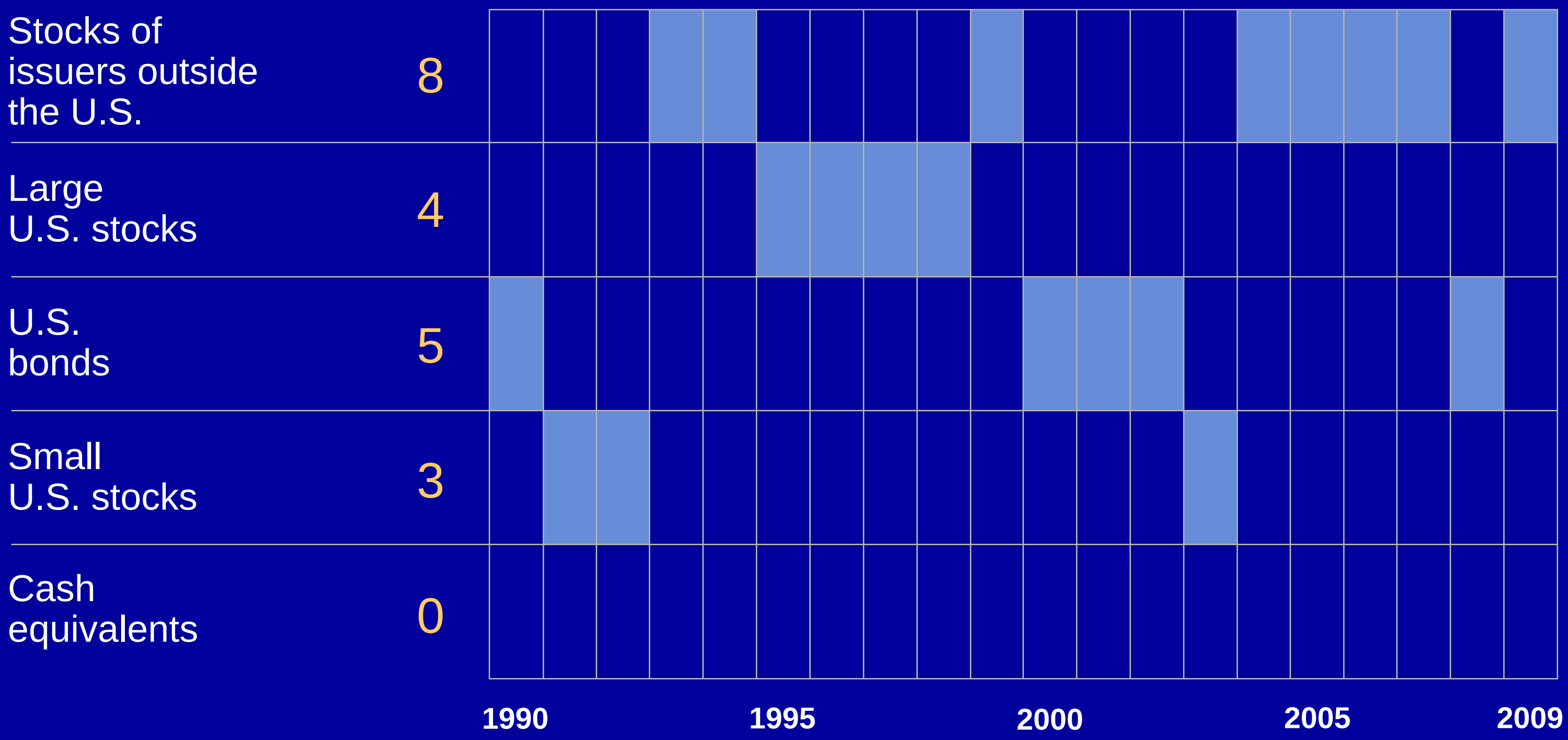
Average annual total returns, 1/1/80 – 12/31/09



Sources: Stocks — Standard & Poor's 500 Composite Index; bonds — Ibbotson Long-Term Corporate Bonds Index. Data from Ibbotson Associates. Indexes are unmanaged.
Volatility risk calculated using standard deviation (based on monthly returns), a measure of how returns over time have varied from the mean; a lower number signifies lower volatility.

Diversification: The mix matters

Number of times each investment was best, 1990 – 2009



Based on calendar years. Sources: Stocks of issuers outside the U.S. — MSCI World ex USA Index; large U.S. stocks — Standard & Poor’s 500 Composite Index; small U.S. stocks — Russell 2000 Index; U.S. bonds — Barclays Capital U.S. Aggregate Index; cash equivalents — 30-day U.S. Treasury bills, Ibbotson Associates.

Customize your portfolio

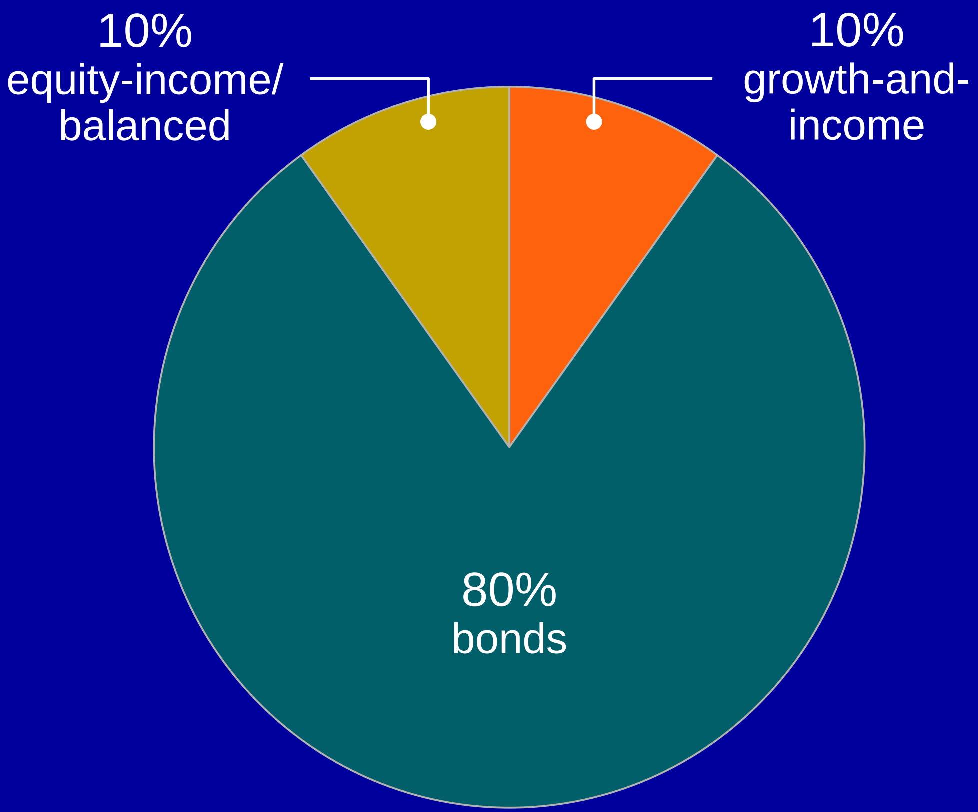
Objective: Buy a new home

Sample portfolio – accumulation phase

Doug and Ellen

Accumulation period:
Five years

Distribution period:
One-time distribution



This sample portfolio is for illustrative purposes only. Please consider individual objectives, risk tolerance and time horizon.

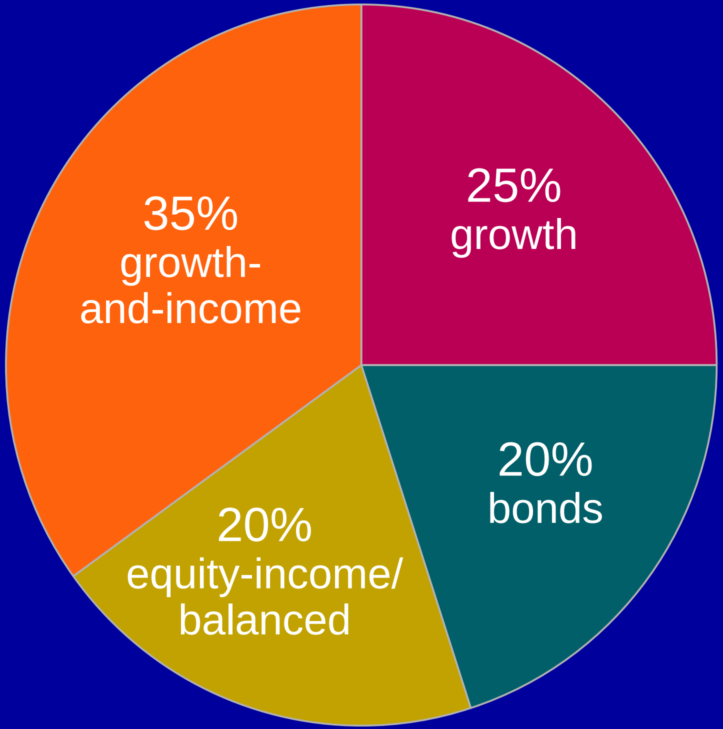
Objective: Save for toddler's college education

Sample portfolio – accumulation phase

Ricardo

Accumulation period:
15 years

Distribution period:
4 years



This sample portfolio is for illustrative purposes only. Please consider individual objectives, risk tolerance and time horizon.

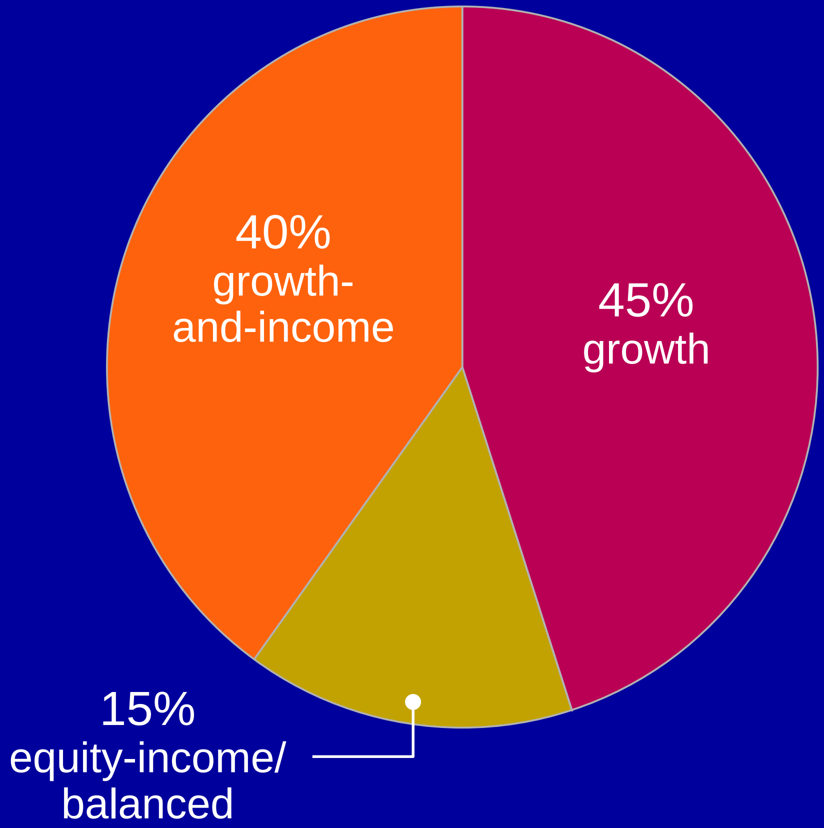
Objective: Invest for retirement

Sample portfolio – accumulation phase

Janet

Accumulation period:
20 years

Distribution period:
20+ years



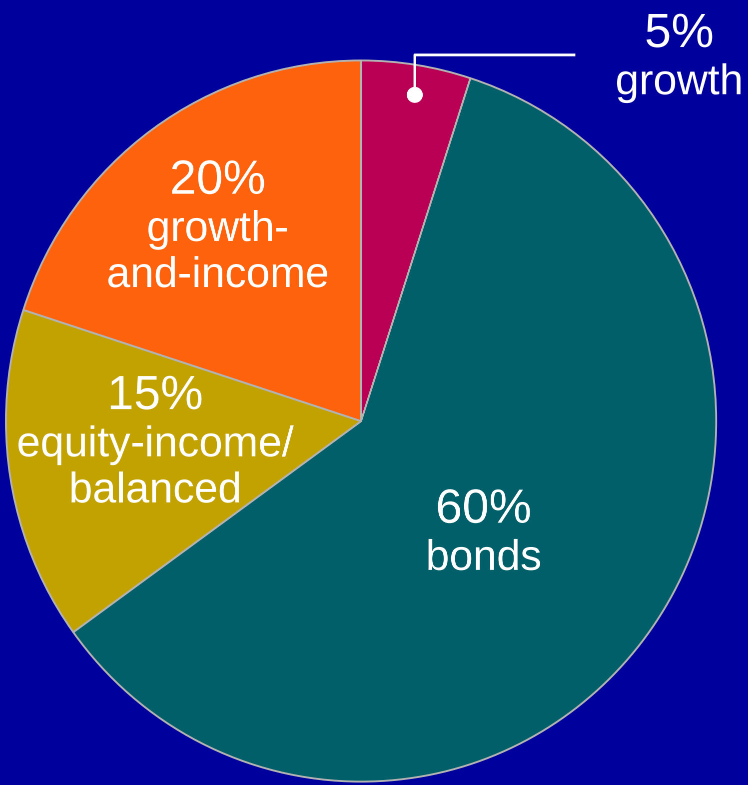
This sample portfolio is for illustrative purposes only. Please consider individual objectives, risk tolerance and time horizon.

Objective: Live off investment

Sample portfolio – distribution phase

Tom

Annual account withdrawals: 5%



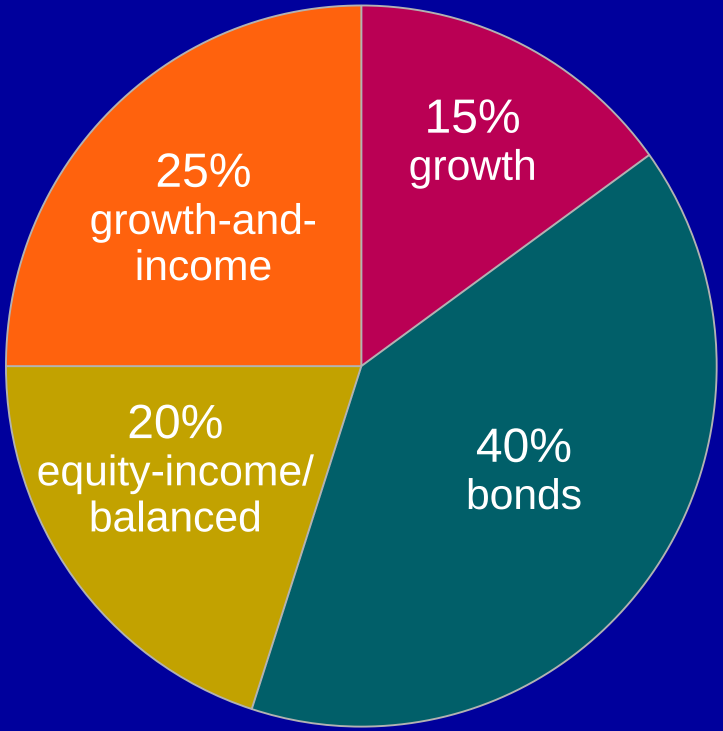
This sample portfolio is for illustrative purposes only. Please consider individual objectives, risk tolerance and time horizon.

Objective: Supplement existing income

Sample portfolio – distribution phase

Lori

Annual account withdrawals: 3%

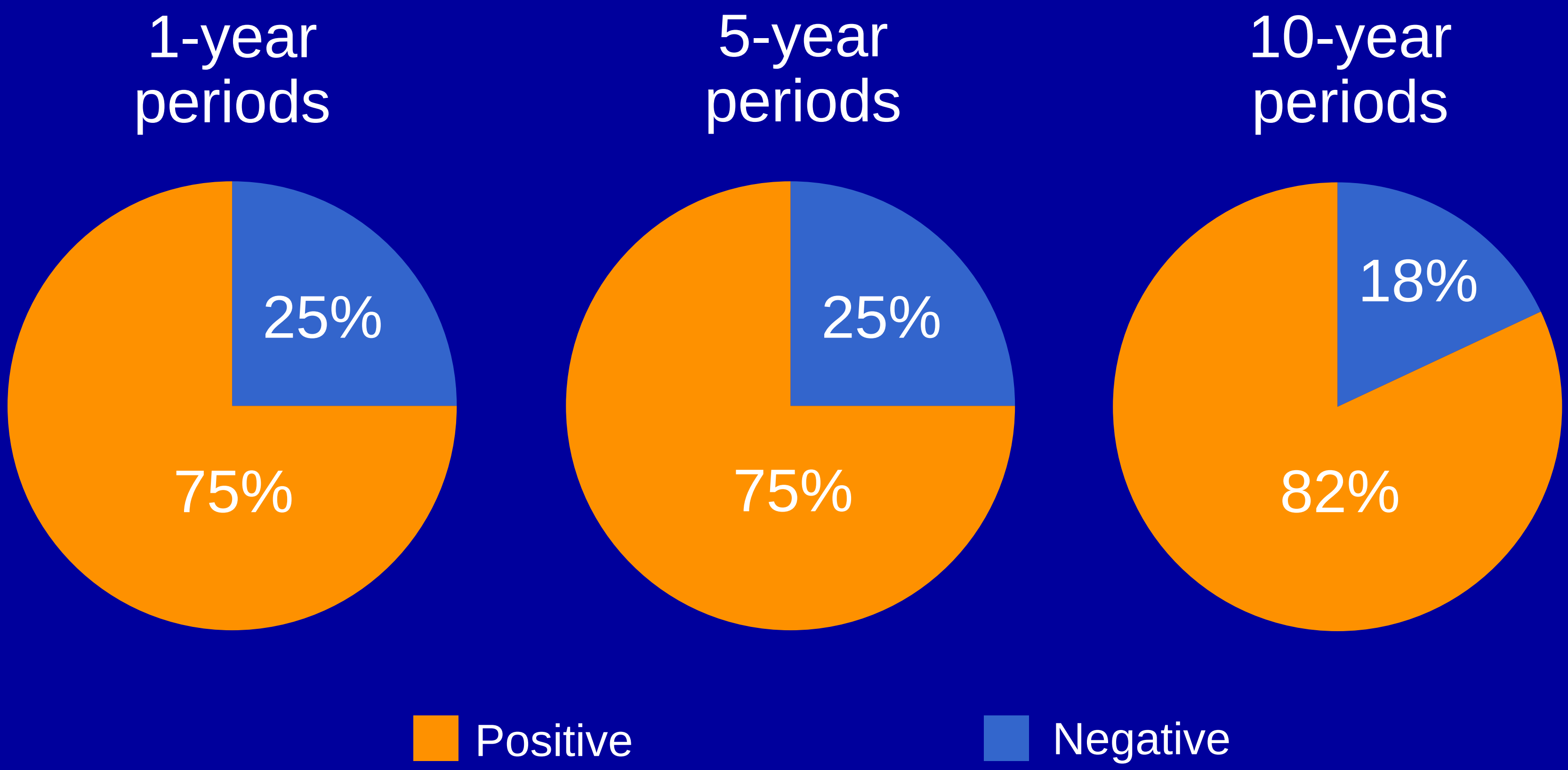


This sample portfolio is for illustrative purposes only. Please consider individual objectives, risk tolerance and time horizon.

Stay the course

The advantage of staying the course

An investment in the S&P 500 Index, 1990–2009



Calendar-year results based on Standard & Poor’s 500 Composite Index, with monthly distributions reinvested.

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Investing in an uncertain market

- Set realistic expectations
- Stick to sound investment strategies
- Customize your portfolio to suit your investment objective
- Invest for the long term and stay the course

What makes American Funds different?

Five factors

1. Long-term, value-oriented approach
2. Extensive global research effort
3. Multiple portfolio counselor system
4. Experienced investment professionals
5. Commitment to low management fees

Investing in an uncertain market

Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in each fund’s summary prospectus and/or prospectus, which can be obtained from your financial professional and should be read carefully before investing.

Citigroup Long-Term High-Grade Corporate Bond Index (also known as Citigroup High-Grade Corporate Bond Index) is the corporate component of the Credit Index. It includes those issues from the Credit Index that have at least 10 years to maturity (long term) but excludes asset-backed securities and outside U.S. sovereign/provincial issues.

Dow Jones Industrial Average is a price-weighted average of 30 actively traded industrial and service-oriented blue chip stocks.

Barclays Capital U.S. Aggregate Index represents the U.S. investment-grade fixed-rate bond market.

MSCI EAFE (Europe, Australasia, Far East) Index is a free-float-adjusted market-capitalization-weighted index that is designed to measure developed equity market results, excluding the U.S. and Canada.

Russell 2000 Index measures the results of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Standard & Poor's 500 Composite Index is a market-capitalization-weighted index based on the average weighted results of 500 widely held common stocks.

Indexes are unmanaged. Their results include reinvested dividends and/or distributions but do not reflect sales charges, commissions or expenses.

Equity investments are subject to market fluctuations.

The return of principal in bond funds, as well as in funds with significant bond holdings, is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund(s). Bond prices and a bond fund's share price will generally move in the opposite direction of interest rates.

Unlike fund shares, investments in U.S. Treasuries, if held to maturity, are guaranteed by the U.S. government and pay guaranteed fixed rates of interest.

Regular investing neither ensures a profit nor protects against loss in a declining market.

Diversifying investments does not insure against market loss.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the prospectus. These risks may be heightened in connection with investments in developing countries.

Investing in smaller companies involves additional risks, as more fully described in the prospectus.

American Funds®

The right choice for the long term®