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Diana L. Ascher
Non-Academic Writing Samples

Guide to samples

Angel Advisor: Jim Barksdale's New Focus
I wrote this cover story for Angel Advisor, a magazine for which I was the managing editor at Bloomberg. The article explores Jim and Sally Barksdale's philanthropic efforts.

American Funds: Pension Protection Act's golden nuggets
I took a complicated legislative change and drilled down to the essential elements for the audience: each provision, its meaning, the opportunity presented and when it would happen.

On Investing: Tools for Telecom
I wrote this cover article on the telecom industry and outlook for how existing and new technologies will play a role in the future of the industry.

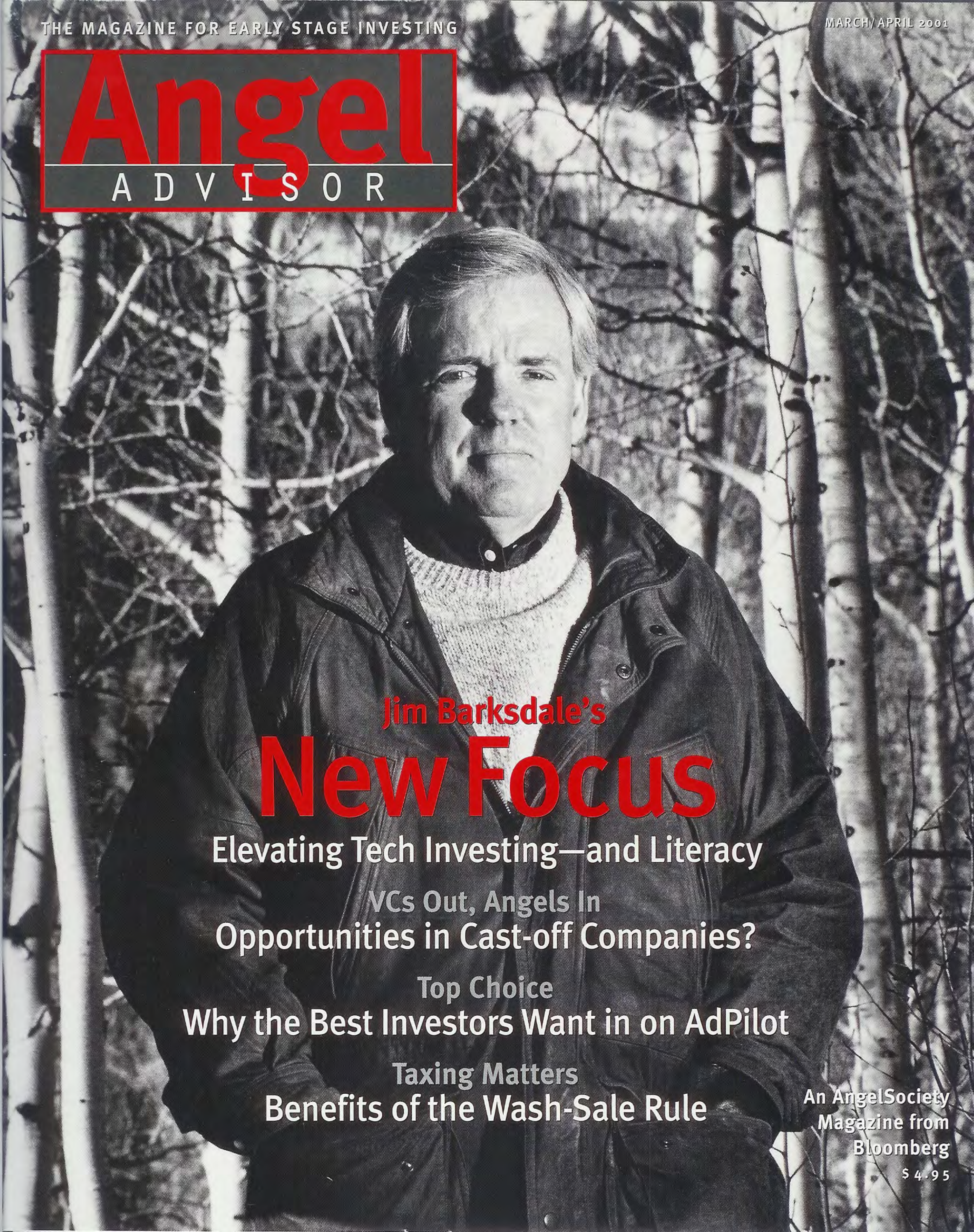
American Funds: What makes American Funds different
I created this sales piece for American Funds qualified retirement plans. It relies heavily on statistical analysis to convey the value the firm can offer to prospective clients.

American Funds: Retirement Plan Proposal companion piece to Flash presentation This custom-published document aids the salesperson in his or her presentation to potential corporate clients in all industries and with all types of employees. I wrote and directed the design for the flagship piece, which replaced a heavy, dark document that was proving detrimental to the sales process. In conjunction, I developed an interactive Flash presentation for the sales force that can be tailored on the fly.

THE MAGAZINE FOR EARLY STAGE INVESTING

MARCH/APRIL 2001

Angel ADVISOR



Jim Barksdale's New Focus

Elevating Tech Investing—and Literacy

VCs Out, Angels In

Opportunities in Cast-off Companies?

Top Choice

Why the Best Investors Want in on AdPilot

Taxing Matters

Benefits of the Wash-Sale Rule

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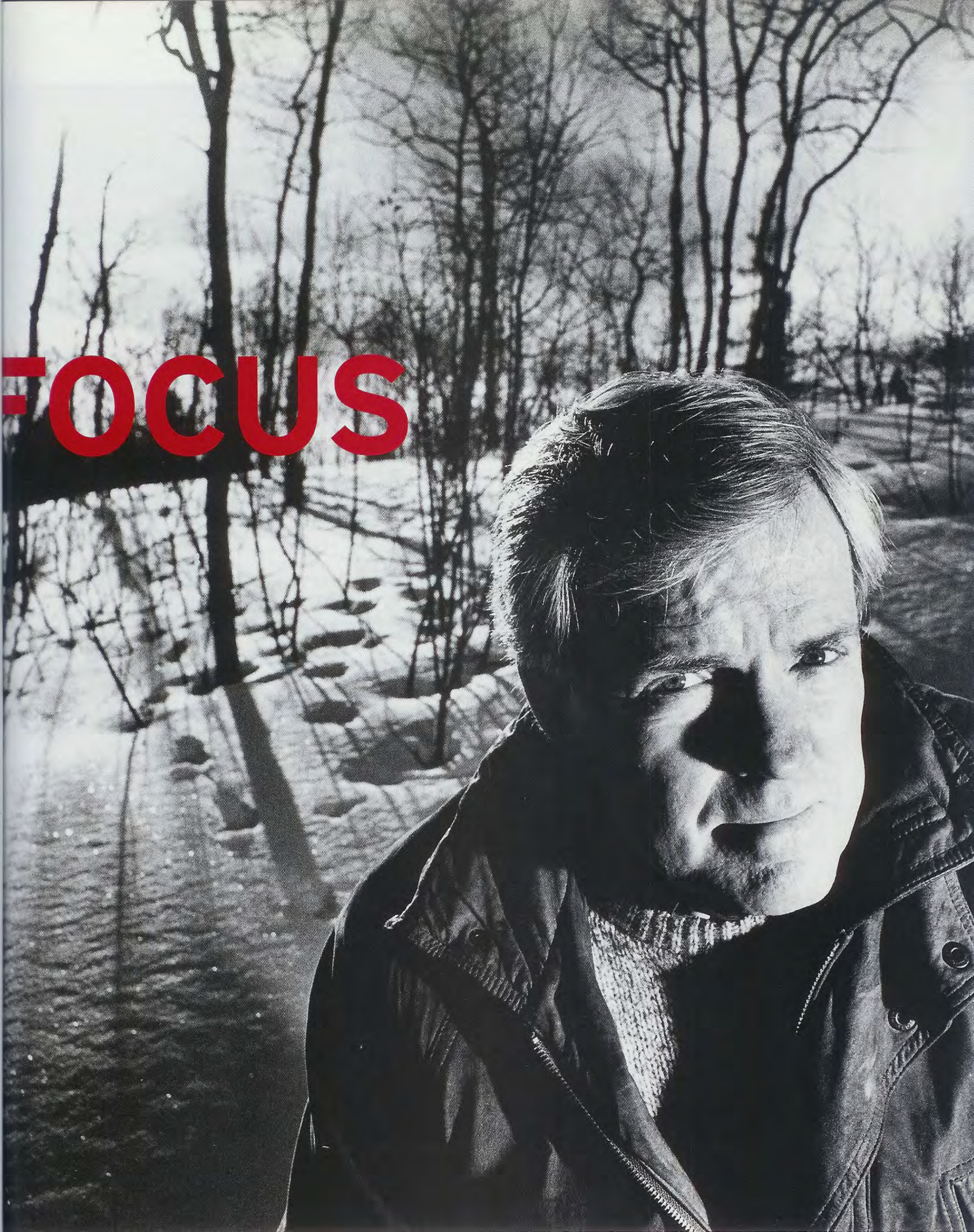
JIM BARKSDALE'S NEW

What do falling valuations in the tech sector and the $100 million-endowed Barksdale Reading Institute have in common? They both signal that things are on the way up,

he says.

COVER STORY | BY DIANA ASCHER

PHOTOGRAPHS BY BRIAN SMALE


FOCUS

JIM BARKSDALE IS RELAXING IN A WELL-WORN leather chair beside an immense stone fireplace, looking out the picture window at the mountains of Aspen, where it has just begun to snow. He's talking about two seemingly disparate issues: low literacy levels in Mississippi and the dot.com industry. Both have bottomed. Mississippi, the state with the lowest per-capita income in the U.S., has student test scores in the basement for reading and other subjects. And the dot.com heyday ended abruptly in March 2000, which has made angel and venture capital investment in start-ups increasingly more difficult to attract.

But these two things are closely related in Barksdale's mind: "A big reason why we're a quarter of a million to half a million people short in the tech industry in America is because our schools don't turn out qualified young people at the public school level."

Putting money into either area might raise a few eyebrows among conservative investors, but not Barksdale. His wife, Sally, and he have created the Barksdale Reading Institute with a $100 million investment to raise reading levels in Mississippi, supported by an advocacy council that reads like a Who's Who of educational reform. And the former CEO of Netscape is investing in his own $180 million seed-investment firm, the Barksdale Group, without breaking stride. "We're almost two-thirds of the way vested in 15 companies that we're very excited about, and we've [already] made 22 investments," Jim reports.

"Shining the spotlight on an area will inevitably result in better performance, just because people know you are looking," he says. "It's the Hawthorne effect." The effect was first noticed in Western Electric's Hawthorne plant near Chicago. Production increased not as a consequence of actual changes in working conditions introduced by the plant's management, but because management demonstrated interest in such improvements. If entrepreneurs hear that funding is harder to come by, swoosh! valuations come right down. If schoolteachers know that results will be measured every year, they will put extra effort into helping the students excel. Such scrutiny is a necessity, and fortunately for kids in Mississippi public schools and budding entrepreneurs nationwide, Jim and Sally Barksdale are paying attention—by investing, mentoring, and monitoring.

Jim is on the technology advisory staff of President Bush's administration; he's a co-chairman of the Internet Policy Institute; he sits on the boards of companies such as AOL Time Warner, Federal Express, 3re.com, myCFO, Respond.com, SubmitOrder.com, Sun Microsystems, Tellme, and Webvan Group; and he speaks frequently about the technology sector in such forums as the Memphis Technology Summit, America: On the NetTown Hall Meeting, and the Mississippi Economic Council.

IN THE HOT SEAT

Measurement is the key to Jim and Sally Barksdale's approach.

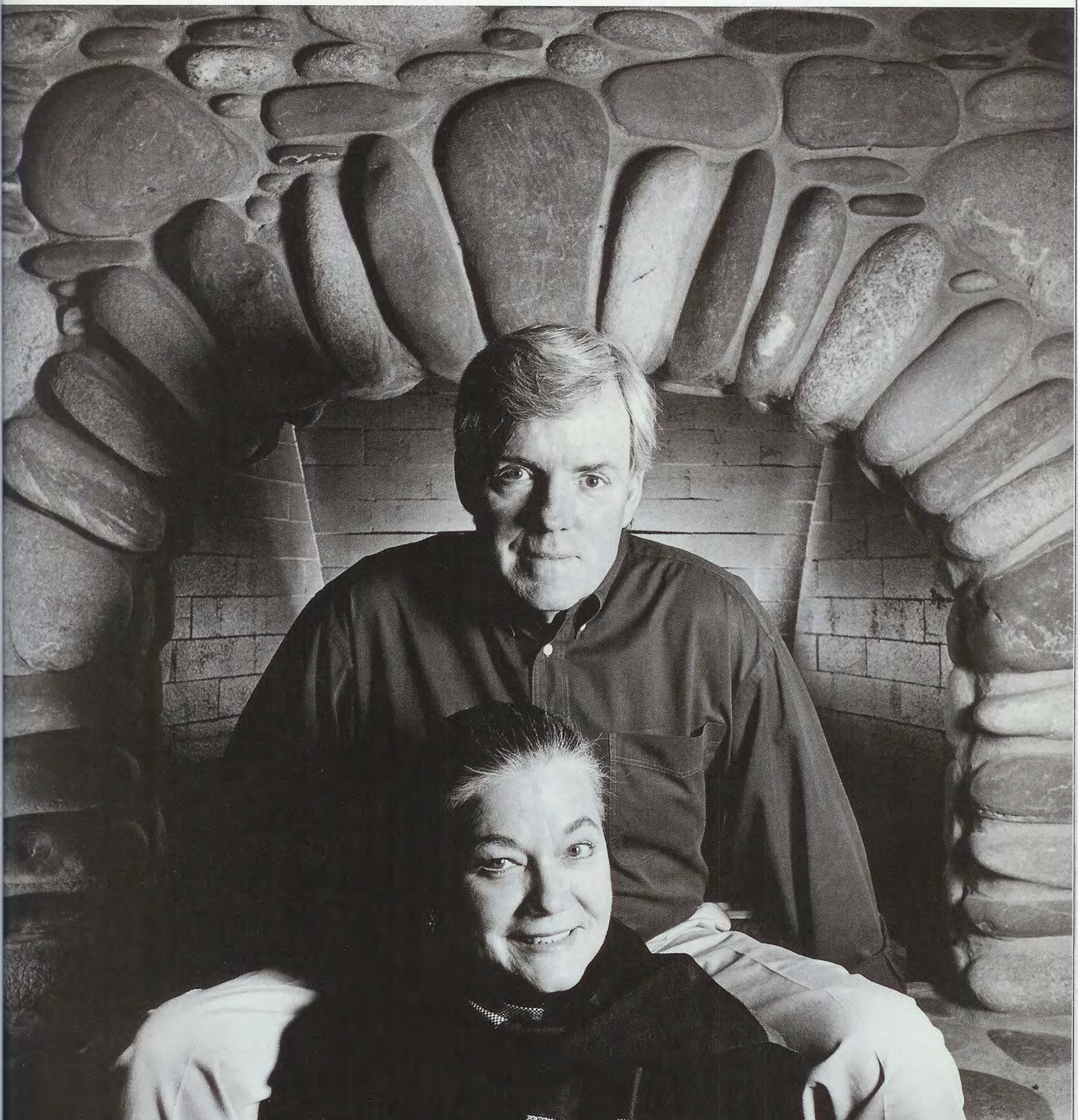
Both Sally and Jim grew up in Mississippi and still have what they call "serious roots" there. After extensive research into and participation in educational reform programs in Texas and California, Jim and Sally decided to found the Barksdale Reading Institute back home in Mississippi. They wanted to ensure that their efforts would be measurable and focused. Jim sums up their philanthropic philosophy: "Money isn't everything. You can give a lot of money to something and it may or may not have an impact. Responsibility and accountability, which are basic to any business judgments you make, are also basic to any investment in altruistic causes because without that you become worried that it either isn't appreciated or didn't work."

Whereas the business sector typically has benchmarks by which to measure success, the bottom line isn't as clear with philanthropic investments. "You have to have some mechanism to know that this is working," says Jim. "Every good businessperson knows you can't manage what you can't measure. Well, the same is true in this sort of thing, if your purpose is to create change."

When the Barksdales chose to target illiteracy in Mississippi, they didn't want to give a gift. They approached the project as an investment—and decided to turn down requests from other charitable causes while they concentrated on the Barksdale Reading Institute. "You just focus it like you would artillery fire," Jim explains. "You don't just spray bullets, you focus on the point of attack and put all the weight behind one arrow. We say, 'Our focus is on Mississippi literacy.' "

The interest earned on that $100 million the couple put into the

We needed someone who understood the bottom line, the budget, and the need for results—to run it like a business instead of a school, she says.



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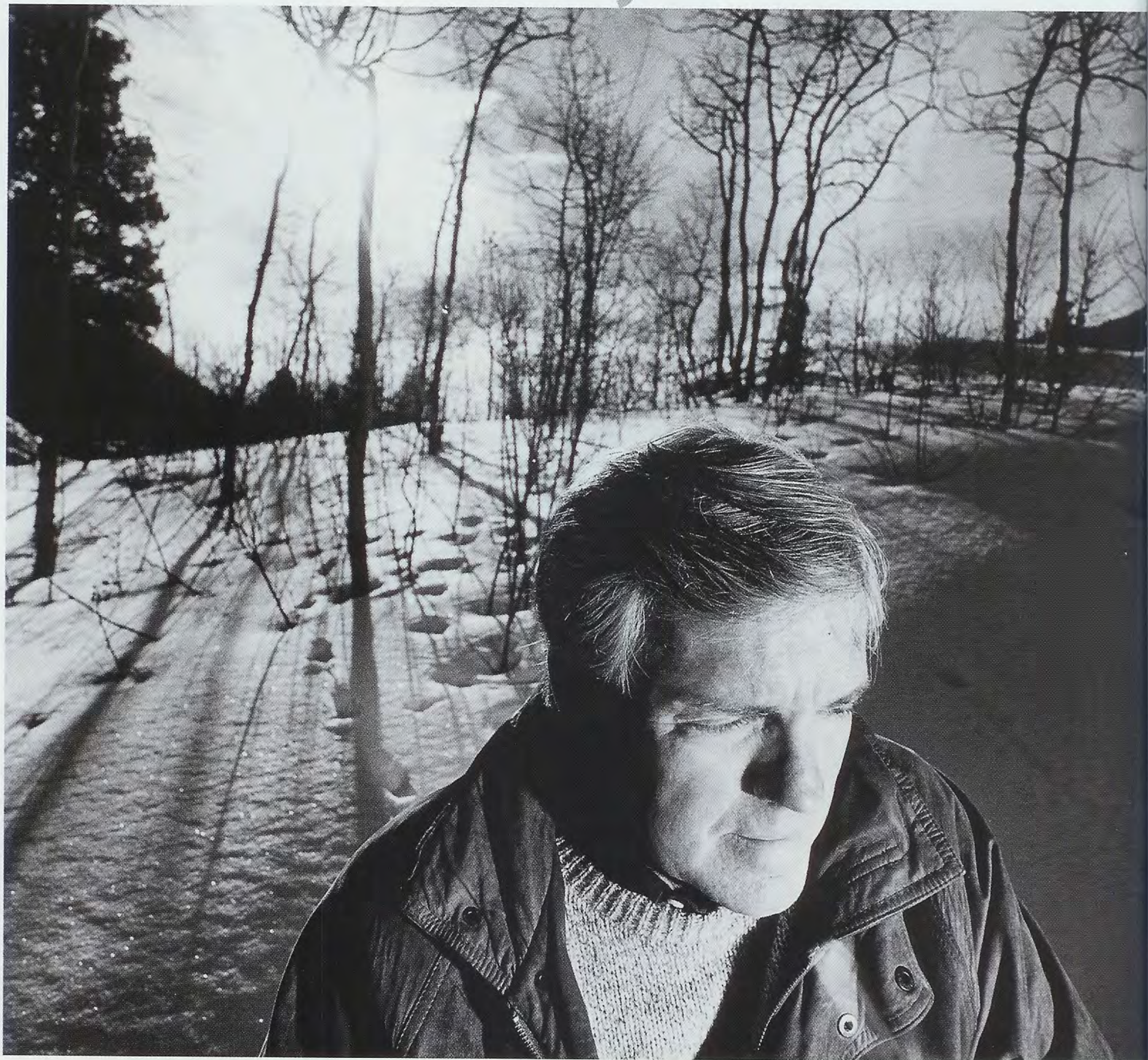

project funds programs for 40 schools in Mississippi—14,000 students currently. "We hope to have 200 schools in the program in about two or three years," Jim says. But it's not a freebie—not by a long shot. "If, at the end of year five, reading scores have reached an acceptable level for third graders in this state, we'll just give the hundred million [to the school system]," he explains. If the scores the Barksdales expect are not achieved, however, the foundation can redirect the $100 million investment toward some other cause. The conditions may seem unusual in the realm of educational gifts, but such standards are common practice in business, and that's what Jim knows best. The Barksdales clearly established their expectations for improved reading scores of the children in the schools participating in the Reading Institute programs, and offered a goal toward which teachers, administrators, students, and parents could work.

They then had to find someone to administer the foundation. "We realized that the focus of an educator is different from the focus of a businessman," explains Sally. "And what we really needed was someone who had been in the business world who understood the bottom line and the budget and the need for results. Someone to run it like a business instead of running it like a school." After an exhaustive search, the Barksdales found their foundation director closer to home than they expected—Jim's brother, Claiborne Barksdale. Claiborne left his position as associate general counsel at Bell South Cellular Corp.'s Atlanta office and returned home with his family to Mississippi. Two of Jim and Sally's children also represent the family: daughter Susan Barksdale Howorth serves on the Reading Institute's board of directors, and son David Barksdale sits on the advocacy council. With the right people in place and goals firmly established, Jim and Sally faced the toughest question: How do you gauge progress?

"Like in business, you can have measurements that will make you feel good, but they may not assess the critical success factors of the business in an accurate way," Jim explains. "I had a lot of experience with this. When I was chief operating officer of Federal Express, we launched a major effort back in '89 that resulted in FedEx being the first service company to win the Malcolm Baldrige National Quality Award in its second year. We instituted some very specific measurements that absolutely measured successfully the quality of the service in a way that couldn't be tricked, and then awarded every member of management a good bonus only if we hit that number. My nature is to measure and reward for success. It's always been part of my management style."

Jim's style pervades the Barksdale Group, founded in 1999. For him and his partners—Peter Currie (former Netscape CFO), Danny Rimer (former head of Chase H&Q Internet Research and Investment Banking Group), and Quincy Smith (former Netscape senior director of corporate development and investor relations)—companies like Tellme and Respond.com were the right investments (see sidebar).

Now that the spotlight has been cast upon start-up ventures and their fundamentals, valuations have decreased to more appropriate levels. And the Barksdale Group is sifting out the best investments. The group specializes in Internet companies that the partners believe will transform the Net economy. For example, the Barksdale Group's investment in Escalate was based on the belief that more and more bricks-and-mortar retailers and manufacturers are seeking end-to-end outsourcing for not only hosting and back-end technology but also front-end e-commerce capabilities. Escalate enables retailers and manufacturers to sell online with an integrated solution. The online channel-management system allows the user to make all business decisions while Escalate handles infrastructure, applications, and integration. The company offers a fully hosted online store, pre-integrated business applications and third-party services, business intelligence and advisory services, and a complete outsourced technology infrastructure.

The group's investment in myCFO was prompted by changes that took place in the financial-services industry as a result of the Internet. The altered financial-services landscape has created a class of high-net-worth individuals who are proactive in managing their wealth. MyCFO is an Internet-based financial-services firm that provides the user with a personal chief financial officer who is a preeminent CPA or attorney with more

TELLME | BARKSDALE'S FAVORITE

TELLME IS AN EARLY INVESTOR'S DREAM, A CONCEPT INITIATED BY AN INTERN at Netscape, engendered by Netscape's former vice president of technology and current CEO of Tellme Mike McCue, and now nurtured by the likes of Jim Barksdale, John Doerr, AT&T's Mike Armstrong, and ex-Microsofter Brad Silverberg. McCue assembled a management team drawn from feuding technology companies—like Netscape, Microsoft, and AOL—and from the realm of speech-recognition technology—like Matt Marx from SpeechWorks, and Lisa Stifelmann from MIT Media Lab—to create an Internet browser for the telephone.

"The management team is the most important element in company building," says Barksdale. "Tellme has pulled in the best and brightest from several key companies, and that's something we've kept an eye on." Jim's partner Danny Rimer was the first to invest in Tellme in February 1999. In July 1999 the company garnered $6 million in seed money from an unlikely duo—Jim's Barksdale Group and Brad Silverberg. "We stepped in to take the vast majority of the Series A," Jim explains, "but have also invested in later rounds to show our support." Next, Jim says, is to help create the business. "To ensure that a great idea will turn into a profitable business, we help map out demonstrable timelines, implement real processes, and work closely to grow on a day-by-day basis."

than a decade of experience, typically from the "Big Five" professional services firms.

The Barksdale Group decided to invest in Respond.com, expecting its network to fundamentally change the way merchants—both large and small—do business with their customers. Respond.com is an online shopping service that allows buyers to "shop by request" using their own words to order a wide range of products and services. Respond.com has partnered with America Online, Excite@Home, and other online businesses.

The Barksdale Group partners selected ViAir, Inc. to give them a piece of the expanding wireless-Web market. ViAir delivers highly scalable, integrated, and customizable mobile applications and management tools. ViAir was created by the veterans who developed Sprint PCS's Wireless Web and Microsoft's MSN Mobile services.

The partners have a highly selective process by which investments or referrals are made. "We get about 200 to 300 unsolicited proposals a week. And we have a process of responding to them—obviously we can't invest in all of them," Jim says. "If we can help [those in which we don't invest] without it being a big time-consumer, we try to help: We'll refer them or give them some ideas of people who might be interested. Even though we don't refer them in some cases, we can say, 'This is something that Texas Pacific Group or Atlantic Partners or somebody else might like because of this specific thing that rings a bell.' Most of the investments we make, though—everybody in business would tell you this—come from a network of people we know, or it was referred to us by someone we know. Or they have an involvement in it. That's the dark secret of venture investment."

"We refer some to Ron [Conway at Angel Investors Fund]. If it's a school fund that we don't want to do, we may send it over to Kim Smith at the New Schools Fund. We send referrals to what we call 'cousins,' which are Benchmark, SilverLake Partners, and Kleiner Perkins, and they send them to us. Or we may go in jointly with them. In fact, several of the Kleiner Perkins partners as individuals are limited partners in our fund."

Jim's time is his most valuable asset, and he has made changes in his own board memberships—including stepping down from Palm's board—in order to devote his time to nurturing his investments—both business and philanthropic. "Companies that we have relatively significant investment in—that's where I want to put my time," he explains. "Now, I'm on some boards like FedEx because of historical reasons and friendships and so forth. And it keeps me involved in a very important part of our venture company, namely, the infrastructure of the New Economy. That's why I'm also on the board of SubmitOrder, one of our ventures out of Columbus, Ohio, that does e-fulfillment on an outsource basis. We do fulfillment for a number of companies now, and we're in the third year of operation. It's just going and going. Part of the reason we're successful there is because of my experience and involvement with Federal Express, so these things kind of play off each other."

He has also made some lifestyle changes, moving his primary residence to Aspen, and commuting to Silicon Valley. "I probably spend half of my time on the road, and half of my time here," Jim says, standing on the front porch and looking out toward the mountains surrounding Independence Pass. The snow is falling more heavily now, and while his counterparts in California may be preparing for tee times, Jim has an appointment on the ski slopes. The Aspen community has become home to investors like John Doerr, and tech executives like Sun Microsystems's Bill Joy and Andy Bechtolsheim.

Though they could have been hobnobbing with the influential in Aspen, the Barksdales spent the Christmas holidays in Mississippi with relatives. Close family ties keep Jim and Sally focused on the importance of giving back, whether it's helping children in Mississippi or entrepreneurs on the prowl. At a time when investors are more hesitant to take a chance on new technology companies, the attention to business fundamentals should encourage a sort of Hawthorne effect in the sector: better performance under more stringent scrutiny. With the Barksdales and others like them increasingly committed to changing a core social problem that contributes to a shortage of qualified workers in our country, a philanthropic investment pays off on two fronts. □

Diana Ascher is the managing editor of Angel Advisor.

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John Doerr *General Partner of Kleiner Perkins Caufield & Byers, Venture Capitalist*
Ellen Douglas (Josephine Haxton) *Author*
Richard Ford *Author*
Morgan Freeman *Actor, Activist*
John Grisham *Author, Publisher, Former Mississippi State Representative*
Trent Lott *Senate Republican Majority Leader*
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Betsy Pokorny *Community Member*
Colin Powell *U.S. Secretary of State; Chairman, America's Promise*
Charlie Rose *Broadcast Journalist*
Fred Smith *Founder, Chairman, President, and CEO of FedEx Corp.*
Kim Smith *Founding President, New Schools Venture Fund*
Jerry Rice *NFL Player; San Francisco 49er*
Mary Alice Taylor *Board of Directors, Webvan Group Inc.; Former Chairman and CEO of HomeGrocer.com*
William Winter *Former Governor of the State of Mississippi*

American Funds®

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Pension Protection Act's golden nuggets

The Pension Protection Act of 2006 will likely have a ripple effect across your relationships with plan sponsors and the plan participants they represent. We've put together a guide to help you sift through what's new and identify the nuggets of information that will prove most useful as you meet with prospects and your existing clients.

Provision	What it means	Opportunity	Effective date
Default investments	The U.S. Department of Labor (DOL) has issued regulations defining appropriate default plan investment options.	The American Funds Target Date Retirement Series℠ meets the DOL requirements for qualified default investment alternatives (QDIAs). PlanPremier® and Recordkeeper Direct® offer the American Funds Target Date Retirement Series as one of the investment choices plan sponsors can select as a QDIA.	**60 days after regulations are finalized**
Enhancements to 401(k) automatic enrollment	Employees are automatically enrolled in the plan unless they opt out. Enhancements include more time for ADP/ACP testing, the opportunity to avoid testing if certain safe harbor requirements are met and a simplified way to deal with employees who may forget to opt out. Federal law now supersedes any state law for plans selecting a QDIA as the default investment, which in the past may have restricted employers' ability to offer automatic enrollment.	Both your prospects and your existing book of business will benefit from PlanPremier, our fully bundled retirement plan solution. PlanPremier already offers some of the features of automatic enrollment.	**Plan years beginning in 2008**
EGTRRA increases for 401(k) plans to stay	The increased maximum contribution amounts implemented under the Economic Growth and Tax Relief and Reconciliation Act (EGTRRA) will not revert back to pre-2001 limits. This ensures participants can continue to save for retirement at higher rates.	Host re-enrollment meetings to make sure employees are taking full advantage of the higher contribution amounts. This provision takes effect immediately. Arm yourself with our *Your Ticket to Retirement* enrollment book, *It's Time for a Checkup*, and *Running on Empty?* and set up those meetings.	**August 2006**
Roth 401(k)/403(b) contributions won't disappear after 2010	Originally set to sunset after 2010, Roth 401(k)s and 403(b)s give employees the flexibility to choose between paying their taxes now or paying them later.	Reach out to existing clients who haven't offered a Roth option in their plans. Many may not have added the Roth option because of the sunset clause, thinking it was too much trouble for a short-term benefit. Our Investing for Life brochure, *Two Sweet Ways to Save*, describes Roth 401(k) and 403(b) contributions. When you go through this brochure with plan sponsors, be sure to point out that the extension legislation referred to in the text has now been passed.	**August 2006**
Direct rollover to Roth IRAs	A retirement plan participant who leaves a job can make a direct rollover from a retirement plan into a Roth IRA, subject to the rules for traditional IRA to Roth IRA conversions. This provision removes the need to first roll over into a traditional IRA before converting to a Roth IRA.	When participants leave, you have an opportunity to reconnect to educate them about how to handle their plan assets. The rollover opportunity can also be a part of prospecting, as new employees think about rolling their previous 401(k) balances into Roth IRAs.	**Plan years beginning in 2008**
Faster vesting	EGTRRA required that employer-matching contributions vest according to a six-year graded schedule or after three years of service. The new law requires that the six-year graded schedule or the three-year vesting schedule apply to employer non-elective contributions, as well.	Even though plan amendments are not required until 2009, your clients' plans must comply with the new vesting requirements for plan years beginning in 2007. Your clients should consider amending early to avoid having to make additional payments at a later date.	**Plan years beginning in 2007**
Employer stock diversification	Employees investing in employer stock through their company retirement plans must be given an opportunity to diversify their investments.	This is an opportunity to review the other investment options available in your clients' plans to make sure the offerings are diversified. Also remind them to set up the phase-in schedule for the diversification (33% the first year, 66% the second, 100% the third) and create participant notices.	**Plan years beginning in 2007**

Other noteworthy provisions

Mapping of investment options

The Act provides limited relief from fiduciary responsibility for plan sponsors during blackout periods or when plan investments are being changed or replaced. The Act's mapping provisions are effective for plan years beginning in 2008.

RMD contributions to charities

IRA owners age 70½ or older can now make a donation of up to $100,000 directly to a charity from their IRA instead of taking a taxable distribution. The tax-free donation can be counted toward satisfying their required minimum distribution (RMD) for the year. This provision is effective only for 2006 and 2007.

Rollovers by non-spouse beneficiaries

Beginning in 2007, a beneficiary other than a surviving spouse may roll money from an employer-sponsored retirement plan account into an inherited IRA instead of having to take a taxable lump-sum distribution as required by many retirement plans.

Saver's credit

The nonrefundable saver's credit is made permanent by the Act. Designed to encourage lower-income employees to save for retirement, the credit can result in a tax reduction of up to $1,000.

529 college savings plans

Qualified withdrawals from 529 plans, including those made after 2010, will continue to be federally tax-free. This provision is effective immediately.

Annual contribution amounts

The Pension Protection Act of 2006 preserves the increases in contribution amounts set forth in EGTRRA for defined contribution plans as follows:

Plan type	2007 maximum annual contribution amount*	2007 catch-up amount*†
401(k), 403(b), 457, SARSEP	$15,500	$5,000
SIMPLE	$10,500	$2,500

* Amounts will be adjusted for inflation in $500 increments in subsequent years.

† Catch-up contributions are available only to plan participants age 50 and older.

Individual retirement accounts (IRAs)

The Pension Protection Act also preserves the phased increases and catch-up contributions established in EGTRRA for IRAs.

Year	Maximum annual contribution amount*	Catch-up amount†
2007	$4,000	$1,000
2008	$5,000*	$1,000

* Amounts will be adjusted for inflation in $500 increments in subsequent years.

† Catch-up contributions are available only to plan participants age 50 and older. IRA catch-up amounts are not subject to cost-of-living increases.

For more information

We will provide you with regular updates on this new legislation as more information becomes available.

Financial advisers can visit us at **americanfunds.com/adviser**.

Third-party administrators can speak to the financial representatives they work with for more information.

For financial advisers and third-party administrators only. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so investors may lose money. Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in the funds' prospectuses, which are available from their plan's financial representative and on the Web. It's important that investors read the prospectuses carefully before they invest.

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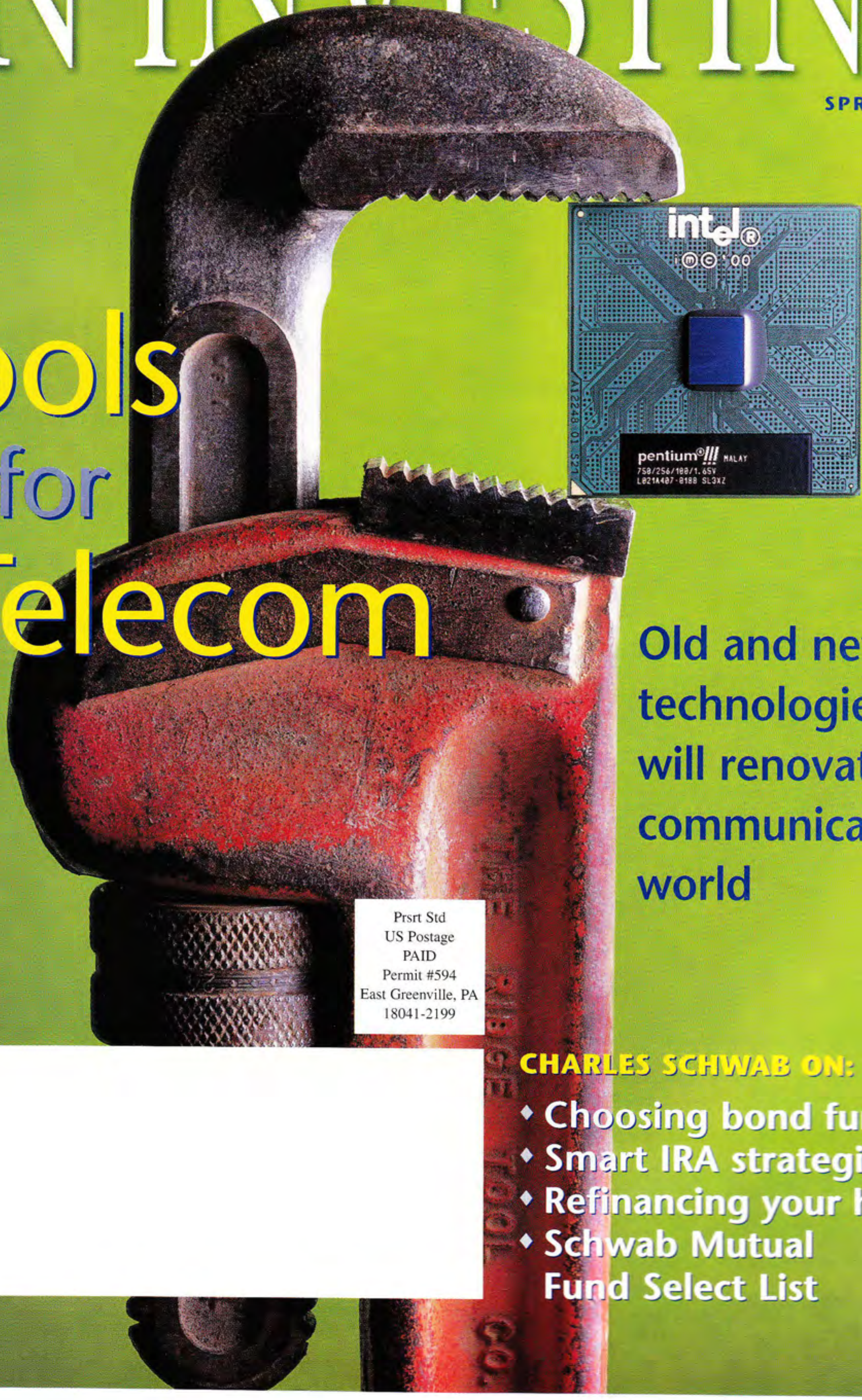
ON INVESTING

SPRING 2001



Tools for Telecom

Old and new technologies will renovate the communications world

CHARLES SCHWAB ON:

- Choosing bond funds
- Smart IRA strategies
- Refinancing your home
- Schwab Mutual Fund Select List

The new WAVE in Commun

Despite the hammering the technology sector took last year, many investors still believe the Internet is among the greatest technological advances in recorded history. While the building of the Internet certainly ranks near the top of the advances in communication—on par with the invention of movable type in the Middle Ages, the telegraph and telephone in the 19th century, and broadcasting in the 20th—it is, from a technological standpoint, a more middling achievement than most people think. ♦ The Internet has been described as a patchwork of technologies stitched together to look seamless. Think for a moment about how most of us access it: We connect to a modem that dials into the telephone network, which passes us to a remote computer, known as a server in Internet-speak. Yes, we're talking about *that* telephone network, the brainchild of Alexander Graham Bell, the 100-plus-year-old gaggle of twisted copper wires—OK, there are some glass ones mixed in these days—that runs over, under, and around the globe. Seems kind of "old economy." But what has analysts and investors excited is not where the Internet and other telecommunications technologies are now, but where they are going.

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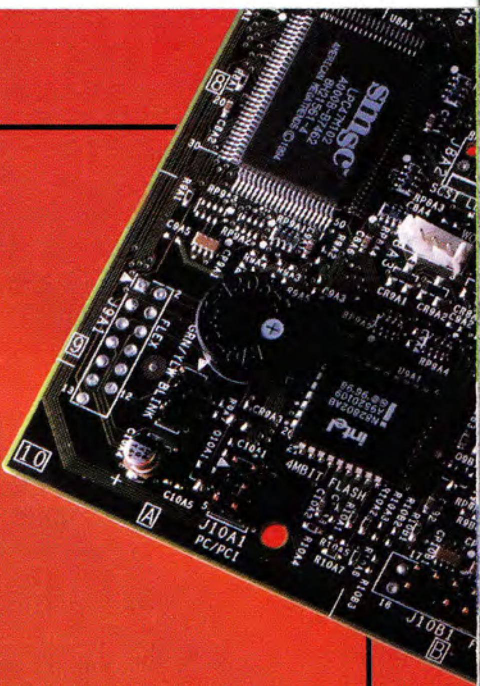


BY DIANA ASCHER

Advances in communications have driven technology since the printing press. Where is telecommunications headed—and which companies are leading the way?

PHOTOS BY PHILLIP ESPARZA

"In terms of the capability of the Internet, we are only on level one," says David Glaymon, a senior analyst who covers emerging telecommunications technologies for Chase H&Q. "It's just a push-pull technology. We are not yet at the Internet's full multimedia or communications capability."

Glaymon points to "broadband"—the transmission of multiple signals on a single medium at the same time, sharing the entire bandwidth of the medium—technologies that will enable more complex and engaging interactions involving voice, video, animation, and other applications as the kind of emerging technologies that should get an investor's juices flowing. "Broadband captures the evolution from voice to multimedia," he says. "It's exciting. For investors it's not like investing in a traditional business. There is an aspect of science fiction, the future, and growth. It's the Buck Rogers aspect that makes it exciting."

but not a lot from the central office to the user."

In telephone-industry parlance, a "central office" (CO) is the site where the telephone lines running from your home or business are concentrated and from which your calls are routed to their ultimate destination. While high-end service capabilities exist between COs and from the COs to the remainder of the telecom backbone, the local connections are somewhat in the dark ages. Physical distance from the CO affects the quality of service an individual subscriber receives, as does the age and quality of the wiring.

While lightning-fast broadband connections such as ISDN are common today on college campuses and in large corporations, they are a bit expensive for the average Joe. If a consumer wants similar capability at home, the choices include signing up for a digital subscriber line (DSL), buying a cable modem, looking at the new generation of wireless devices, or simply investing in a higher-speed dial-up modem.

THE TELEPHONE NETWORK

Not Sexy, but It Works The telephone wires lining highways and backyards make up the nation's basic communications infrastructure. This is what is known as the backbone. Over the past 120 years, the telephone network has been built of copper wire and then upgraded to incorporate new advances in transmission and switching technologies, including the replacement of some of that copper wire with cables made from glass filaments—known as fiber-optic lines—which have improved sound quality and increased the amount of traffic the network can carry. The telephone network, says Paul Johnson, a telecommunications-industry analyst with the investment firm Robertson Stephens in San Francisco, "has ubiquity, low cost, and quality of service that is unsurpassed by anything else you can name. The phone always works; it's pretty close to magic."

The challenge for the telephone companies, both local and long distance, is to take their existing business into the future. They currently derive between 80% to 90% of their revenue from voice services, but their future lies in the delivery of data, says Robert Rosenberg, president of Insight Research Group, a Parsippany, New Jersey, company specializing in telecommunications-industry market research.

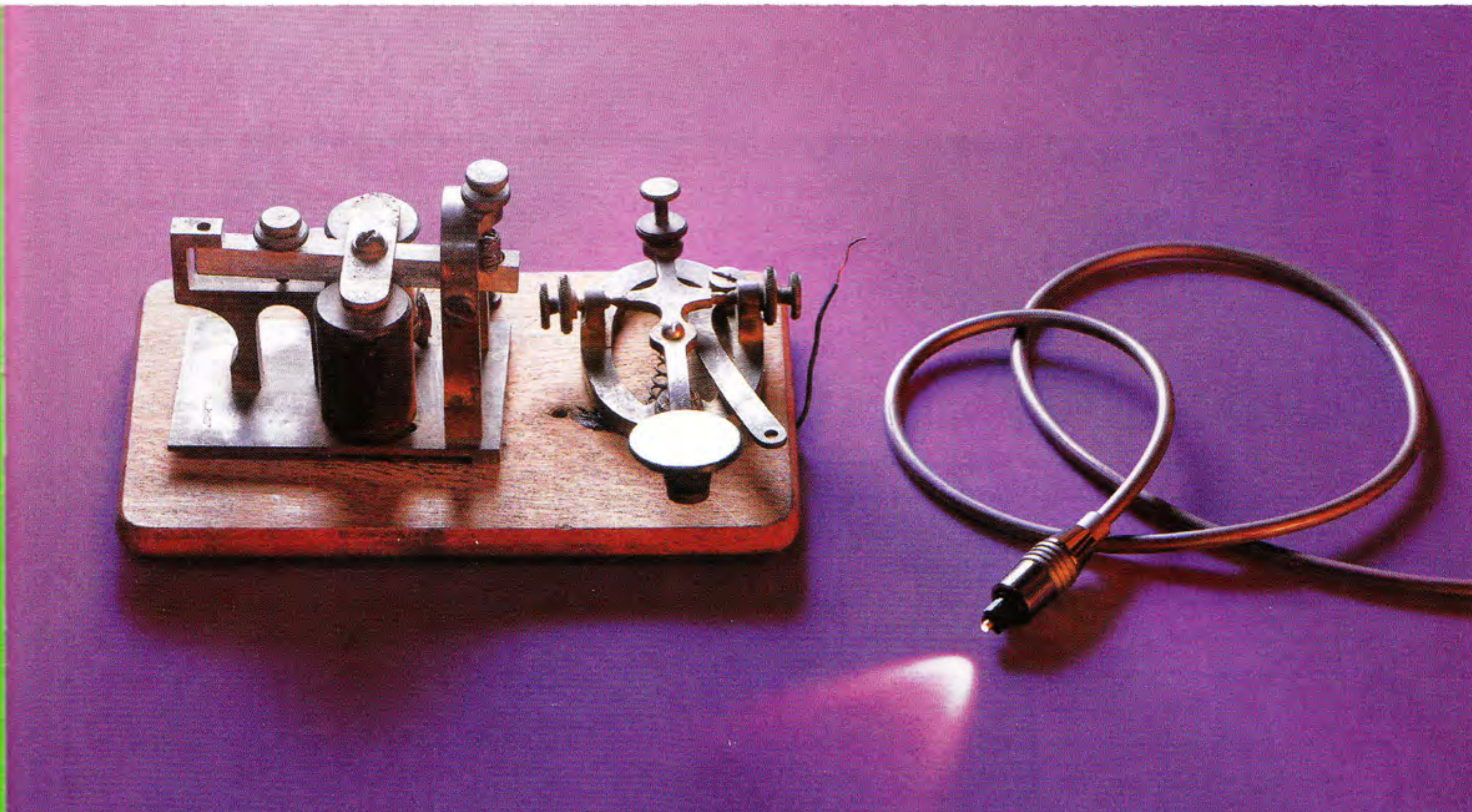
For example, Verizon Corp., the company that was formed as the result of the merger between Bell Atlantic and GTE, has "plenty of bandwidth" to support fancy new services like interactive games, video conference calls, movies on demand, and other multimedia applications over its backbone, Rosenberg says. "There is tons of capacity in the backbone,

CABLE

Widely Available, but Subject to Overload Stepping in to break the perceived bottleneck of local telephone connections are the cable operators. Currently about 69 million U.S. households have cable TV service. The same wire that brings this signal into your home can provide Internet access at speeds more than 100 times faster than current dial-up modem access. Cable modems are installed by cable-company technicians and connect subscribers to a network. The total amount of bandwidth is shared by all users, making it like a neighborhood Local Area Network (LAN).

Like any LAN, cable performance degrades as usage increases. But the cable networks offer speeds greater than any other option, even under worst-case scenarios of high neighborhood usage. As this type of access grows in popularity, cable companies may not be able to maintain the same speed and level of service they can now provide. There is also a question of reliability. Rosenberg thinks cable companies "are not service oriented. If you really depend on e-mail, not having e-mail is worse than not having a phone at this point. You simply cannot tolerate outages. That's not the way [the cable industry] is used to operating. AT&T would have made a difference. They would not have tolerated the degree of service problems that tarnish the cable industry."

But not all analysts agree. Marvin Shapiro, managing director of Veronis Schuler & Associates, a New York–based investment bank and private-equity fund manager, thinks cable Internet access represents a considerable growth business. Shapiro expects cable Internet access to become "a significant



THE CHALLENGE FOR THE TELEPHONE COMPANIES IS TO TAKE THEIR EXISTING BUSINESS INTO THE FUTURE

part" of the revenue streams of cable companies like Comcast, Cablevision, Charter Communications, and even AT&T, which acquired cable operators TCI and Mediaone.

"In terms of the quality of their operations and the systems they own, probably high on the list would be Comcast," Shapiro says. "Comcast has outstanding management that has done an excellent job of consolidating its locations." Shapiro also cites Cox Communications as a solid cable and broadband company that has succeeded in bringing in new technology and putting it to work. "Cox Communications has done as good a job as anybody, but they have a lower profile. But they are very well run and managed."

Charter Communications, which is backed by Microsoft co-founder Paul Allen, has grown by acquiring "diverse cable companies and it takes time to bring them all on line to the level they want them to be at. Where they've done it, they have done a good job," Shapiro says.

The industry has made a significant infrastructure investment in its bid to capture its share of the data communications business. The National Cable Television Association reports cable operators will have spent $33 billion before this year to upgrade systems to deliver fast Internet access. Forrester Research predicts cable modems will have 80% of the broadband market by 2002. The cable industry has been the most aggressive in offering two-way broadband access. Morgan Stanley Dean Witter predicts there will be almost 12 million cable modem subscribers by the end of 2003.

DSL

A New Use for Old Phone Lines The local telephone companies and other entrepreneurs aren't about to cede high-speed Internet access to cable operators without a fight. DSL is a high-speed data service offered by the Baby Bell companies and upstarts known as Competitive Local Exchange Companies (CLECs), which have targeted business users. What makes DSL technology attractive to local telephone operators is that it works on existing telephone lines, making it possible to provide this service without costly upgrades. Because DSL uses a different part of the frequency spectrum than voice, it can operate over your existing phone line without disturbing your telephone service.

There are many versions of DSL, but the most common is Asymmetric Digital Subscriber Line (ADSL) service. It is con-

THE PLAYERS

There are many players—old and new—in the telecommunications business. Here are the publicly traded companies mentioned in this article. (Prices are as of market close on January 31, 2001.)

COMPANY	TICKER	EXCHANGE	PRICE
Alltel	AT	NYSE	58
AT&T	T	NYSE	23
Cablevision	CVC	NYSE	87
Charter Comm	CHTR	Nadsaq	22
Comcast	CMCSK	Nasdaq	42
Covad Comm	COVD	Nasdaq	4
Cox Comm	COX	NYSE	46
Ericsson	ERICY	Nasdaq-ADR	11
Global Crossing	GX	NYSE	22
Handspring	HAND	Nasdaq	43
Intel	INTC	Nasdaq	37
Level 3 Comm	LVLT	Nasdaq	41
Microsoft	MSFT	Nasdaq	61
Motorola	MOT	NYSE	22
Nokia	NOK	NYSE-ADR	34
Palm	PALM	Nasdaq	27
Openwave	OPWV	Nasdaq	69
Qwest	Q	NYSE	42
Rhythms NetConnect	RTHM	Nasdaq	2
SBC	SBC	NYSE	48
Sprint	PCS	NYSE	30
Teligent	TGNT	Nasdaq	3
Verizon	VZ	NYSE	54
Williams Comm	WCG	NYSE	18
Winstar	WCII	Nasdaq	18
WorldCom	WCOM	Nasdaq	21

sidered asymmetrical because it provides two different bandwidths—a smaller slice for outgoing messages and a larger piece for incoming ones. That's perfect for the average Internet user. The outgoing communications are usually small, like a hyperlink request or an email message. The incoming messages, on the other hand, can range from graphics-heavy Web pages, software upgrades, or, in the case of your teenage children, music files. ADSL works well for interactive video and high-speed data services, including Internet access and remote LAN access. There are no per-minute charges, and you get an "always on" connection.

On the negative side, there are distance limitations to DSL. A residential DSL installation has to be within 18,000 feet of the telephone company's nearest central office hub. The quality of the wiring is also an issue. If you live close to a CO but are connected via deteriorating telephone cable, your DSL service can be degraded until those physical lines are replaced.

DSL is being most aggressively pushed to small businesses by three small CLECs: Covad Communications Group of Santa Clara, California; NorthPoint Communications of San Francisco; and Rhythms NetConnections of Englewood, Colorado. They're collectively wiring dozens of cities and selling services wholesale to Internet service providers (ISPs) and local exchange carriers. But all three are struggling with revenue problems, significant capital-development costs, the consolidation or collapse of their ISP partners, and a lack of profitability. (In fact, NorthPoint filed for Chapter 11 in January.) These companies, and their customers, have also had to deal with the fact that the final connection—that line running between the user and the phone company central office—still belongs to the local phone operator.

"It's obvious that the CLECs have been in a fair amount of trouble lately," notes Pat Hurley, an analyst with TeleChoice, a Tulsa, Oklahoma, telecommunications consultant. "The whole idea that Wall Street isn't very hot nowadays on companies that don't make a profit in a short period of time has certainly hurt them. The DSL market is still growing pretty fast, and the three big CLECs are all at different points in terms of how much cash they have left. But they do have pretty big networks already built out."

Pioneer Consulting forecasts over 12 million DSL subscribers by the end of 2003. "DSL and cable will both continue to be successful moving forward," Hurley believes. "DSL has been growing faster than cable over the last year because the local phone companies have gotten really aggressive about DSL and they have good marketing. They make a pretty compelling statement for themselves versus cable."

BROADBAND

Wired or Wireless? Web pages with complex graphics, video, and other components are data intensive, but they are just part of the traffic load. Modern businesses need pipes big enough to send and receive the increasingly large amounts of data that are being sent electronically. Companies such as Level 3 Communications, Teligent, and Winstar are pursuing wired broadband technology to address this need.

Chase H&Q's Glaymon called Level 3 "the pure broadband play in the market" in a December 2000 report. But while he likes the company and its management, he noted in the same report that "Level 3 is not the only company with a network coming online during 2001. Emerging carriers Global Crossing, Williams Communications, and 360 Networks [acquired by Alltel in 1998] will also see significant pieces of their networks being completed. Coupled with AT&T's new network coming online, the market for broadband services could get crowded."

Local Multipoint Distribution Service (LMDS) and Multichannel Multipoint Distribution Service (MMDS) are the players in wireless broadband. LMDS "is typically deployed in big cities with lots of high-rise buildings," says Bob Larribeau of RHK, a telecom-industry analyst in San Francisco. "It's also used in dense suburban industrial-park areas"—businesses that are located near an LMDS antennae. MMDS allows a single base station to communicate with multiple subscriber locations—a way to provide high-speed data and voice services to customers without having to lease capacity from the local phone company or build out a wired network. MMDS technology, Larribeau says, "is going head-to-head with DSL in the consumer market."

The individual also wants wireless service—for Internet access, cellular phones, pagers, and personal digital assistants (PDAs). Wireless penetration in the U.S. is 37% today and the Yankee Group expects that to grow to 62% by 2005. By those estimates, wireless subscribers will number 177 million by 2005 from over 100 million today.

However, the competing types of wireless broadband digital standards—Time Division Multiple Access (TDMA), Code Division Multiple Access (CDMA), and Global System for Mobile Communications (GSM)—could impede development. In North America each is being pushed by different companies: TDMA is used by AT&T Wireless and Southwestern Bell; CDMA is used by Sprint PCS, GTE, and Verizon; and GSM is used by Pacific Bell and Omnipoint. The systems differ in how they process messages, but the end user can't hear a difference.

"It's really a two-horse race in the U.S." between CDMA and TDMA, explains David A. Kerr of Strategy Analytics in Boston. Six operators account for 75% of the wireless communications market, and the split among thm is about even. "We're destined to have a two-tier system in the U.S. for the foreseeable future," Kerr believes. "Worldwide, GSM is 70% of the market, but in the U.S. it will remain a niche market."

HANDSET PLAYERS AND NEW WIRELESS DEVICES ARE BREAKING THE RULES AND DEFINING NEW MARKETS

Yet another technology, the Wireless Application Protocol (WAP), was intended to help wireless-device manufacturers, networks, content providers, and application companies achieve compatibility, but its growth has been disappointing. It resulted from the WAP Forum, which was founded in 1997 by Motorola, Nokia, Ericsson, and Phone.com (now Openwave Systems) and now includes companies like AT&T Wireless, Microsoft, Intel, Sprint PCS, and Palm. "WAP has been a dismal failure in Europe," says Kevin Calabrese of Argus Research. "So WAP never really got rolling here in the U.S. WAP kind of died at the starting gate."

The new new thing in wireless is 3G—the third generation or Universal Mobile Telecommunications System (UMTS), with transfer rates 26 times faster than the current rates of North American digital networks. But does anyone care? "We're a long way from figuring it out," says Kerr. "There doesn't appear to be any pent-up demand for interactive multimedia-to-wireless, which is what 3G is supposed to deliver."

Regardless of the forms they take, communications and access will be instantaneous, says independent telecommunications industry analyst Jeffery Kagan. The big industry players, he says, will be the companies with advanced networks. "SBC, Verizon, BellSouth, and Qwest have an early advantage because they have a direct connection to the customer already that AT&T, WorldCom, and Sprint don't have," says Kagan. "Companies with national wireless networks—Verizon Wireless, Cingular [a joint venture between SBC and BellSouth], AT&T, and Sprint PCS are poised to dominate the wireless market. The handset players—Nokia, Motorola, and Ericsson—and a whole new breed of wireless devices—Palm, Blackberry, and Handspring—are breaking the rules and defining new markets," he continues. "Qwest is a hybrid—the best of the new and the old. They've got the customers, revenues, and traffic of a Baby Bell, but they also have state-of-the-art local and national data networks." Kagan remains committed to technology. "This is all going to have a happy ending," he says. "We're just in the middle of the biggest buying opportunity of our lifetimes." Stay tuned. <

Diana Ascher is the associate editor of On Investing. *Additional reporting for this article was done by Evelyn Goldin and James A. Ambrosio.*

American Funds®

The right choice for the long term®

What makes American Funds different

2009 edition for qualified retirement plans

A guide to how American Funds may be a good fit for your retirement plan

AmericanFundsRetirement.com

In your role as plan sponsor, ERISA requires you to use a prudent process in the selection and monitoring of retirement plan investments. As a first step in your selection process, you can learn about American Funds philosophy, approach and results on the pages that follow. We encourage you to share this information with your employees.

American Funds has been managing investors' assets since 1931. We take a conservative long-term approach that's consistent with the needs of most people saving for the future.

Consistency is key

Whether markets are rising or falling, financial professionals work closely with plan sponsors and participants to help them meet their long-term retirement plan goals. For years, many financial professionals have recommended the American Funds to their clients with long-term perspectives. We believe a unique combination of strengths — applied consistently — has helped us earn our shareholders' trust.

American Funds

- One of the nations's oldest mutual fund families, servicing investors since 1931
- Distributed through financial professionals because we understand that investors need help with retirement planning
- With more than $800 billion in assets under management, more than half of our 50 million shareholder accounts are held by corporate retirement plan participants and IRA owners
- The second-largest mutual fund manager of defined contribution assets (*Pensions & Investments*, 2008)

Consistent philosophy

For nearly 80 years, we've been careful and patient investors, both at home and abroad — unwavering in our belief that investing should have a long-term focus. This core philosophy has served us well through many types of market conditions and helped create our long-term record of consistency.

Consistent approach

Fifty years ago, we created the multiple portfolio counselor system, which divides each fund's assets among several investment professionals. Over the years, this system has helped us provide diversification, consistency and continuity.

Consistent results

Regardless of what we believe about our philosophy and investment approach, the true measure of our success is demonstrated in our long-term results and shareholder satisfaction. Our shareholders tell us that one of the reasons they stay with us for a long time is our emphasis on consistent returns with low relative volatility.

In this brochure, we'll examine the unique combination of strengths that makes American Funds different. In particular, we'll take a detailed look at five factors that, over time, have benefited the 24 American Funds available to retirement plans.

Focus

Our investment philosophy is based on doing what's right for our shareholders.

- We seek to buy securities at reasonable prices relative to their prospects and hold them for the long term. The average turnover rate for our equity funds is 35%, compared to an industry average of 87% for all equity funds.*
- We do the thorough research necessary to determine the actual worth of an organization. Instead of asking, "Where will this *security* be in three to six *months*?" we prefer to ask, "Where will this *company* or *issuer* be in five to 10 *years*?"
- We are guided by a commitment to honesty and integrity, paying particular attention to risk and our efforts to protect investors' money.

The benefit

While our conservative value-oriented style may seem a bit old-fashioned at times, investors have been able to count on us for consistent long-term results, not euphoric short-term results. This becomes apparent when you look at our equity funds' results over 375 10-calendar-year periods since our first fund debuted in 1934 (as shown below).

* Based on portfolio turnover rates for equity funds as of the most recent fiscal year-ends available through December 31, 2008. Source for industry average: Lipper.

The value of a patient, focused approach
Results shown are for Class R-3 shares

		Number of 10-calendar-year periods ...			
		... when the total return was positive	... when the value of an investment		
	Number of 10-calendar-year periods	(annualized return greater than 0.00%)	at least doubled (annualized return 7.18% or greater)	at least tripled (annualized return 11.61% or greater)	at least quadrupled (annualized return 14.87% or greater)
AMCAP Fund®	32	32	29	24	11
EuroPacific Growth Fund®	15	15	14	8	3
The Growth Fund of America®	26	26	25	23	13
The New Economy Fund®	16	15	15	9	6
New Perspective Fund®	26	26	25	20	12
SMALLCAP World Fund®	9	9	7	1	0
American Mutual Fund®	49	49	42	26	11
Capital World Growth and Income Fund℠	6	6	5	5	0
Fundamental Investors℠	21	21	20	15	8
The Investment Company of America®	66	66	60	40	19
Washington Mutual Investors Fund℠	47	47	40	26	14
Capital Income Builder®	12	12	11	5	0
The Income Fund of America®	26	26	25	16	4
American Balanced Fund®	24	24	23	15	2
	375	**374**	**341**	**233**	**103**
Percent of time		99.7%	90.9%	62.1%	27.5%

Class R-3 shares became available for purchase on May 15, 2002. Class R-3 returns prior to the date of first sale are hypothetical based on Class A share results without a sales charge, adjusted for typical additional estimated expenses.

From September 1, 2004, through December 31, 2008, the investment adviser to the American Funds and the business manager for Washington Mutual Investors Fund waived a portion of their management fees as described in each fund's annual report. The investment adviser has also reimbursed certain expenses for some funds. The investment adviser may reduce or discontinue the reimbursements at any time. Investment results reflect the waivers and/or reimbursements, without which the results would have been lower. Please see each fund's most recent shareholder report or prospectus for details.

Insight

To determine a security's true worth, our investment professionals get to know a company inside and out. Today, American Funds operates one of the industry's most extensive global research efforts.

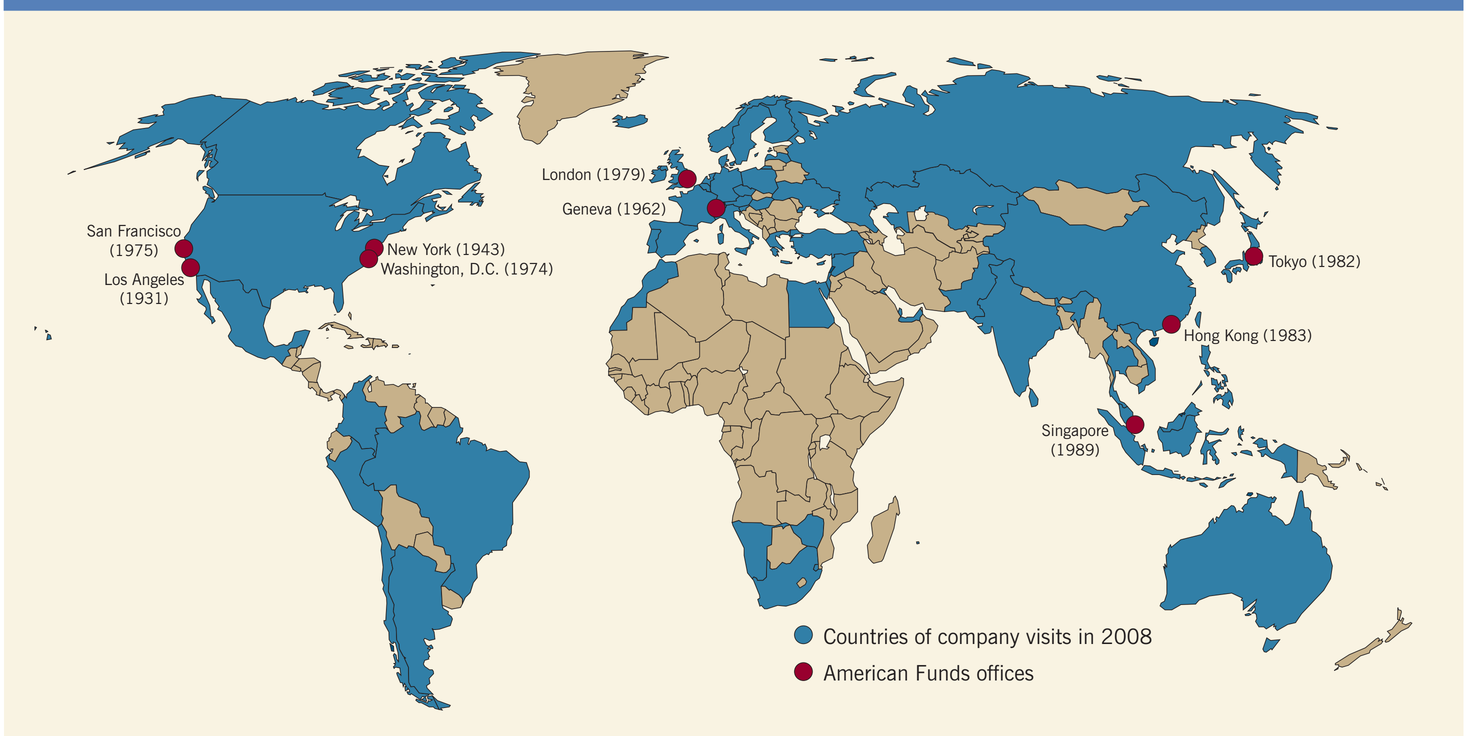
- We commit substantial resources to global investment research. In 2008, we visited thousands of companies in more than 60 countries.
- We visit companies before *and* after investing.
- We meet a company's suppliers, bankers, customers and competitors to get a well-rounded view of its operations. We also meet with industry specialists, economists and government officials.
- We have research offices worldwide. Our first overseas office opened in 1962, well before most U.S. financial managers began investing internationally.
- We have a long history of global investing. In fact, *Institutional Investor* has referred to our organization as "the granddaddy of global investing."
- We have more than 200 investment professionals — who speak more than two dozen languages — based around the world.

Investments outside the United States (especially in developing countries) involve additional risks, such as currency fluctuations, political instability, differing securities regulations and periods of illiquidity.

The benefit

Not all companies do their own research, and few have American Funds longevity when it comes to following companies and industries. This continuity is crucial to any long-term perspective. It's not uncommon, for example, for our investment analysts to have known several successive CEOs at each of the companies they cover. When you know a company that well, there's a greater depth to the questions you ask, the observations you make and your conviction to buy, sell or pass.

A global reach: American Funds offices and research visits



Factor 3 | A unique method of portfolio management

Perspective

Fifty years ago, we developed a unique approach to managing investments that blends teamwork with individual accountability: the multiple portfolio counselor system. We believe it has provided us with a sustainable method of achieving fund objectives.

How it works

Each fund's assets are divided into smaller, more manageable portions and assigned to:

- **individual portfolio counselors** who manage their portions independently. To create a multitalented team of investment professionals with complementary skills, portfolio counselors with different investment styles, backgrounds and industry experience are selected.
- **a research portfolio**, where a group of investment analysts collectively manages one portion of a fund — typically 20% to 30% of its total assets. These analysts invest in the areas and industries they follow.

Each fund's principal investment officer, together with a coordinating committee:

- reviews investments for their consistency with the fund's goals and objectives
- monitors gains, losses and dividend income for the entire fund
- oversees the assignment of assets to portfolio counselors.

A portfolio of "best ideas"

Which would you prefer: a mutual fund that represents the top 30 to 40 investment ideas of several managers or one manager's top 200 ideas? In the multiple portfolio counselor system, investment professionals are able to buy those stocks and bonds they believe exemplify their best ideas. These holdings, blended with those of their fellow investment professionals, create a broadly diversified portfolio of best ideas.

Our system in action

The holdings of American Balanced Fund® — which include approximately 400 U.S. stocks, stocks of companies based outside the U.S., U.S. bonds and bonds of issuers based outside the U.S.* — represent the individual investment ideas of seven portfolio counselors and numerous analysts.

Robert O'Donnell
Equity
37 years of investment experience

Alan Berro
Equity
23 years of investment experience

James Mulally
Fixed income
33 years of investment experience

Gregory Johnson
Equity
15 years of investment experience

John Smet
Fixed income
27 years of investment experience

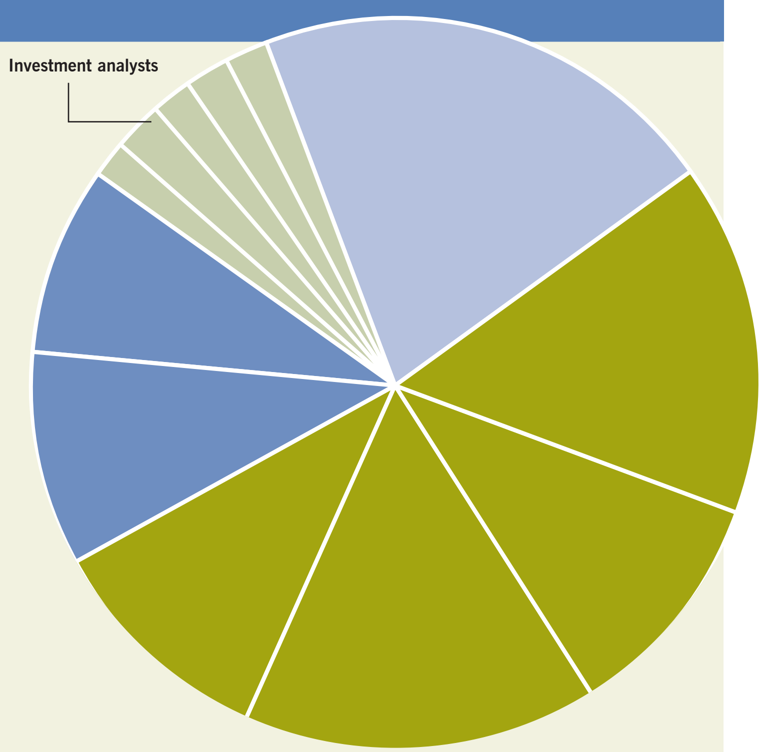
Dina Perry
Equity
31 years of investment experience

Hilda Applbaum
Equity/Fixed income
22 years of investment experience

A sustainable approach

To be an effective long-term manager, you have to be able to adapt to changes, such as:

- **Changes in assets.** In the multiple portfolio counselor system, portfolio counselor lineups can be modified as assets fluctuate. This helps ensure a balance among a fund's portfolio counselors and allows shareholders to benefit from the ideas of new investment professionals.
- **Changes in management.** If a portfolio counselor leaves or retires, only a relatively small portion of the portfolio changes hands. When we know a portfolio counselor is leaving, we will — over a period of time — move his or her assets to new or existing portfolio counselors. These smooth, gradual transitions have helped keep each fund's investment approach consistent.



Sizes of portfolio segments do not reflect actual relative allocations.

*Holdings are as of December 31, 2008. The fund is actively managed, so holdings change.
The portfolio counselors shown are as of the fund's most recent prospectus dated March 1, 2009. Counselor responsibilities may have changed since that date.

A strong investment team with a long-term focus

Although individual accountability is critical, teamwork remains a vital part of the multiple portfolio counselor system. Investment professionals within the same investment divisions share ideas and research. To gain a more comprehensive view, we encourage joint research visits. For example, an auto analyst, a steel industry analyst and a fixed-income specialist each will have a different perspective on an automobile manufacturer.

Compensation paid to our investment professionals is heavily influenced by investment results over rolling four- and eight-year periods to encourage a long-term investment approach.

Consistent long-term results

The selection of investment professionals with different investment styles has tended to smooth out short-term peaks and valleys and to deliver consistent long-term results. That's because the results of investment professionals whose styles and investments produce better results under some market conditions may temper the results of those whose investments are not faring as well.

The benefit

Almost any system can generate strong returns over short periods. Our multiple portfolio counselor system has provided a consistent and sustainable way to achieve long-term investment goals. Rather than diluting the strength of individual abilities and convictions by imposing collective decision-making on the group, the portfolio counselors invest their strongest convictions. If one counselor retires or leaves, a high degree of continuity is maintained because only a portion of the portfolio actually changes hands.

Experience

Managing assets is a skill learned only after years of experience and training. The portfolio counselors who oversee the spectrum of American Funds available to retirement plans, along with the American Funds Target Date Retirement Series,® have this in abundance:

- An average of 25 years of investment experience, providing a depth of knowledge and broad perspective that few organizations have.
- An average of 21 years of experience with American Funds or its affiliates.
- Experience managing investments in varying market cycles:
  - More than half of our equity portfolio counselors experienced the October 1987 crash
  - Nearly a third of our equity portfolio counselors experienced the 1973–1974 bear market
  - More than three quarters of our fixed-income portfolio counselors experienced the difficult 1994 bond market

Career analysts

Our organization views research as a career, not just a stepping-stone to portfolio management. We have analysts who have been building relationships with the same companies for decades.

- Our investment analysts have been with our organization six years on average. Many analysts have had prior experience working in the industries they now study.
- They work out of numerous offices around the globe.

Long-term perspective

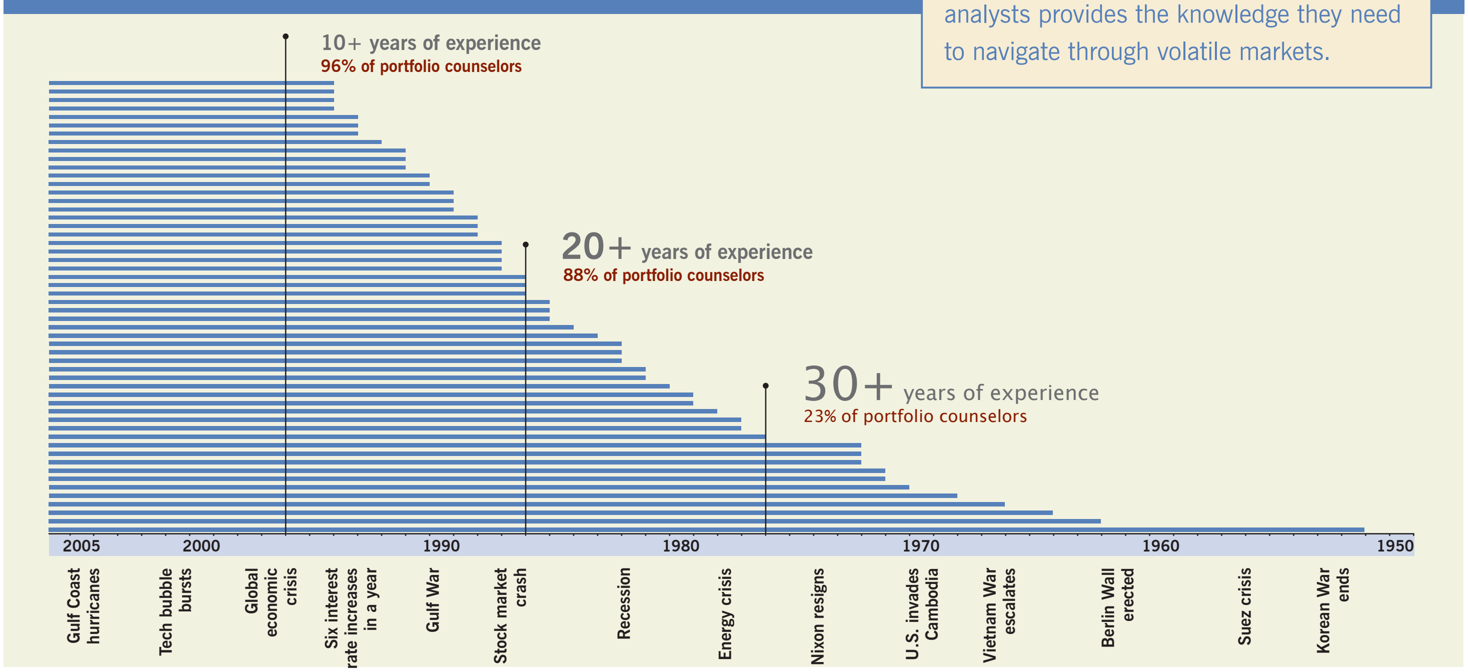
Long management tenure has helped us maintain our consistent investment style over the years.

- Rather than buy and sell based on short-term market fluctuations, we prefer to buy good companies at reasonable prices — and hold them for extended periods.

The benefit

Nothing builds confidence and ability like experience. The depth of experience of our portfolio counselors and investment analysts provides the knowledge they need to navigate through volatile markets.

American Funds portfolio counselors' years of investment experience



Portfolio counselor investment experience as shown in the most current fund prospectuses through December 31, 2008.

Value

Many plan sponsors look only at the initial cost when selecting a retirement plan provider. However, your plan's ongoing annual expenses can have a significant effect on long-term returns.

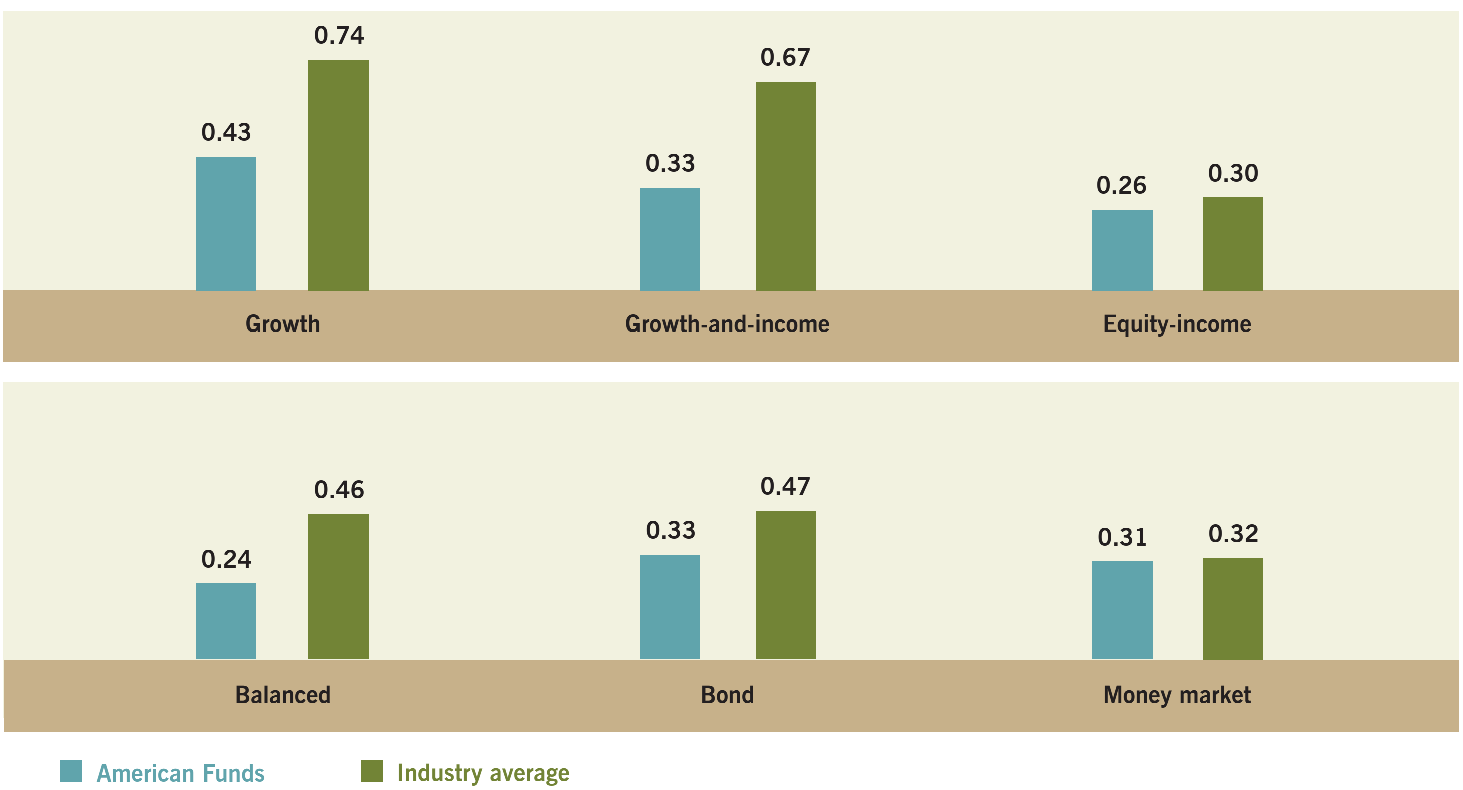
Management fees

American Funds strives to keep our funds' investment management fees low. And having low management fees is important because it can help you ensure that plan costs — including management fees, recordkeeping and other administrative costs — remain reasonable.

The benefit

In the long run, the amount of money you save in expenses has the potential to make a substantial difference in the growth of your plan assets.

Lower is better: American Funds annual management expenses (%)



Management fees are as of each fund's most recent fiscal year-end through January 31, 2009. International Growth and Income Fund's management fee is estimated for the most recent fiscal year-end.

Source for industry averages: Lipper.

How we measure results

At American Funds, we believe that the only reasonable way to measure results is over meaningful periods of time, such as full market cycles and rolling 10-year periods. We hope after examining our long-term investment results and learning about our unique method of portfolio management, you'll understand why plan sponsors frequently select American Funds — and why we're the right choice for long-term, risk-sensitive investors.

Figures shown are past results for Class R-3 shares and are not predictive of future results. 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. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity. Although the cash equivalent funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds. Unless otherwise indicated, results shown are at net asset value with all distributions reinvested. Class R-3 shares do not require an up-front or deferred sales charge. For current information or month-end results, visit AmericanFundsRetirement.com.

Comparisons over a market cycle[1]

Total returns	Low to high 10/9/02–10/9/07	High to low 10/09/07–11/20/08	Low to low 10/09/02–11/20/08
Standard & Poor's 500 Composite Index	120.6%	–50.8%	8.5%
MSCI World Index	164.8	–52.3	26.4
Barclays Capital U.S. Aggregate Index[2]	22.6	3.3	26.6
Growth funds			
AMCAP Fund® (AMCAP)	109.6	–51.0	2.7
EuroPacific Growth Fund® (EUPAC)	209.8	–52.1	48.5
The Growth Fund of America® (GFA)	143.4	–51.3	18.6
The New Economy Fund® (NEF)	175.1	–54.4	25.6
New Perspective Fund® (NPF)	178.8	–50.3	38.6
New World Fund® (NWF)	291.4	–54.7	77.4
SMALLCAP World Fund® (SCWF)	244.6	–61.0	34.4
Growth-and-income funds[3]			
American Mutual Fund® (AMF)	105.8	–43.7	15.9
Capital World Growth and Income Fund℠ (WGI)	215.1	–50.4	56.3
Fundamental Investors℠ (FI)	160.7	–51.5	26.5
The Investment Company of America® (ICA)	114.5	–47.9	11.8
Washington Mutual Investors Fund℠ (WMIF)	115.6	–48.3	11.4
Equity-income funds			
Capital Income Builder® (CIB)	121.6	–40.6	31.7
The Income Fund of America® (IFA)	109.8	–40.6	24.6
Balanced fund			
American Balanced Fund® (AMBAL)	89.7	–36.9	19.6
Bond funds[3]			
American High-Income Trust℠ (AHIT)	90.3	–32.6	28.4
The Bond Fund of America℠ (BFA)	37.9	–15.0	17.1
Capital World Bond Fund® (WBF)	56.6	–6.9	45.8
Intermediate Bond Fund of America® (IBFA)	13.3	–2.3	10.6
U.S. Government Securities Fund℠ (GVT)	13.4	6.3	20.6

[1] Not all declines are alike, so the past does not guarantee, nor predict, results in future periods. The current decline may not be over.

[2] Formerly produced by Lehman Brothers.

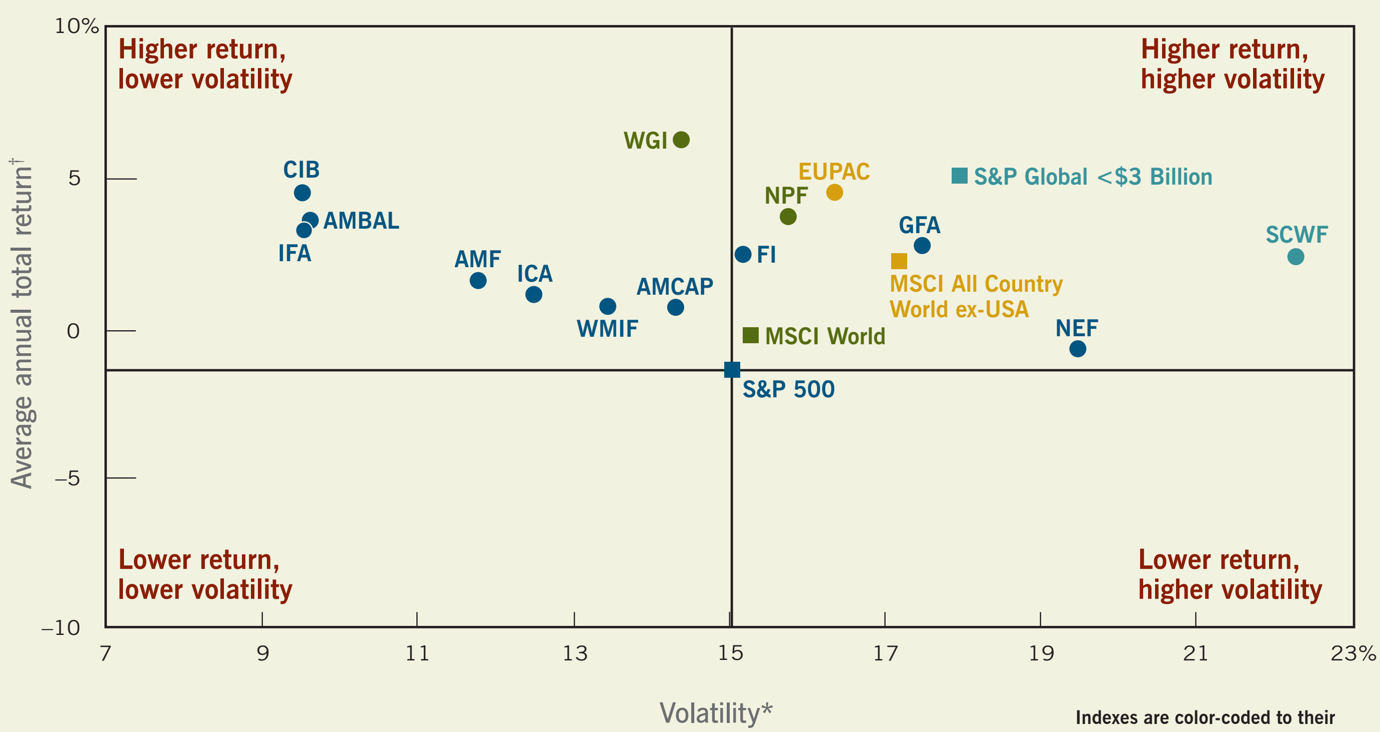
[3] International Growth and Income Fund and Short-Term Bond Fund of America are not included on this table because the funds were not in existence for the duration of the period covered.

The indexes are unmanaged, and their results assume reinvested distributions but do not reflect sales charges, commissions or expenses.

We don't view managing risk as one goal among many at American Funds, but rather as a commitment to shareholders that guides all of our investment decisions. Over the years, we have delivered consistent long-term results with low relative volatility.*

The chart below illustrates how many of our equity funds with records of 10 years or more have, over the past decade, posted better returns with lower volatility than the S&P 500 and other benchmarks.

Return vs. volatility for the 10-year period ended December 31, 2008



Indexes are color-coded to their corresponding American Funds.

* Volatility is calculated at net asset value using annualized standard deviation (based on monthly returns), a measure of how returns over time have varied from the mean; a lower number signifies lower volatility.

† Fund results calculated at net asset value. American Funds Class R-3 shares became available for purchase on May 15, 2002. Class R-3 share returns prior to that date are hypothetical based on Class A share returns, adjusted for typical additional estimated expenses and calculated without a sales charge.

Standard & Poor's 500 Composite Index is a measure of large-company U.S. stocks. MSCI World Index measures 23 developed-country stock markets. MSCI All Country World Index ex USA measures 46 developed- and developing-country indexes, excluding the United States. S&P Global <$3 Billion Index (formerly S&P/Citigroup Global/World Indexes) has been used since May 2006. Cumulative returns for periods beginning before May 2006 also include results from the comparative indexes used in those periods as follows: S&P Global <$2 Billion (May 2004 to April 2006), S&P Developed <$1.5 Billion (January 2000 to April 2004) and S&P Developed <$1.2 Billion (1990 to 1999). The S&P Global indexes better reflect the fund's investment universe because they include both developed and developing countries. The S&P Developed indexes (used prior to May 2004) only include stocks in developed countries. The indexes are unmanaged, and their results assume reinvested distributions, but do not reflect sales charges, commissions or expenses. There have been periods when the funds have trailed the indexes.

American Funds results at a glance (as of December 31, 2008)

Please refer to AmericanFundsRetirement.com for month-end investment results.

	Inception date	Average annual total return (lifetime)	Number of positive years[1]	Outpaced Lipper averages over 10-calendar-year periods[2]
Growth funds				
AMCAP Fund®	5/1/67	10.20%	31 of 41	78% of the time
EuroPacific Growth Fund®	4/16/84	10.90	19 of 24	100% of the time
The Growth Fund of America®	12/1/73[3]	12.81	28 of 35	73% of the time
The New Economy Fund®	12/1/83	9.16	19 of 25	25% of the time
New Perspective Fund®	3/13/73	11.60	28 of 35	85% of the time
New World Fund®	6/17/99	5.78	5 of 9	—[5]
SMALLCAP World Fund®	4/30/90	6.94	13 of 18	22% of the time
Growth-and-income funds				
American Mutual Fund®	2/21/50	10.91	47 of 58	45% of the time
Capital World Growth and Income Fund℠	3/26/93	10.02	12 of 15	100% of the time
Fundamental Investors℠	8/1/78[3]	11.42	25 of 30	100% of the time
International Growth and Income Fund℠	10/1/08	–8.26[6]	—[5]	—[5]
The Investment Company of America®	1/1/34	11.51	60 of 75	80% of the time
Washington Mutual Investors Fund℠	7/31/52	11.17	44 of 56	90% of the time
Equity-income funds				
Capital Income Builder®	7/30/87	8.97	18 of 21	100% of the time
The Income Fund of America®	12/1/73[3]	10.56	29 of 35	54% of the time
Balanced fund				
American Balanced Fund®	7/26/75[3]	10.06	29 of 33	58% of the time
Bond funds				
American High-Income Trust℠	2/19/88	6.35	15 of 20	91% of the time
The Bond Fund of America℠	5/28/74	7.87	32 of 34	68% of the time
Capital World Bond Fund®	8/4/87	6.91	16 of 21	25% of the time
Intermediate Bond Fund of America®	2/19/88	5.23	18 of 20	0% of the time
Short-Term Bond Fund of America℠	10/2/06	2.76	2 of 2	—[5]
U.S. Government Securities Fund℠	10/17/85	6.39	21 of 23	0% of the time
Cash-equivalent				
The Cash Management Trust of America®	11/3/76	5.55	32 of 32	0% of the time
The U.S. Treasury Money Fund of America℠	2/1/91	2.83	17 of 17	0% of the time
Target date funds[4]				
American Funds 2050 Target Date Retirement Fund®	02/01/07	–17.14	0 of 1	—[5]
American Funds 2045 Target Date Retirement Fund®	02/01/07	–17.11	0 of 1	—[5]
American Funds 2040 Target Date Retirement Fund®	02/01/07	–17.16	0 of 1	—[5]
American Funds 2035 Target Date Retirement Fund®	02/01/07	–17.12	0 of 1	—[5]
American Funds 2030 Target Date Retirement Fund®	02/01/07	–16.98	0 of 1	—[5]
American Funds 2025 Target Date Retirement Fund®	02/01/07	–16.72	0 of 1	—[5]
American Funds 2020 Target Date Retirement Fund®	02/01/07	–15.31	0 of 1	—[5]
American Funds 2015 Target Date Retirement Fund®	02/01/07	–13.35	0 of 1	—[5]
American Funds 2010 Target Date Retirement Fund®	02/01/07	–12.66	0 of 1	—[5]

Equity investments are subject to market fluctuations. Investments outside the United States (especially in developing countries) involve additional risks, such as currency fluctuations, as does investing in smaller companies, as more fully described in the prospectus. Bond prices and a bond fund's share price will generally move in the opposite direction of interest rates. 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. Fund shares of the U.S. Government Securities Fund are not guaranteed by the U.S. government. Diversification does not eliminate the risk of investing; losses are possible in diversified portfolios.

1 Based on Class R-3 share results for complete calendar years for the fund's lifetime. Class R shares do not require an up-front or deferred sales charge. Results reflect all other expenses.

2 Based on Class R-3 share results at net asset value compared with Lipper averages for each category: AMCAP Fund (Multi-Cap Core); EuroPacific Growth Fund (International); The Growth Fund of America and The New Economy Fund (Multi-Cap Growth); New Perspective Fund (Global); SMALLCAP World Fund (Global Small-Cap); American Mutual Fund (Multi-Cap Value); Capital World Growth and Income Fund (Global); Fundamental Investors, The Investment Company of America and Washington Mutual Investors Fund (Growth and Income); Capital Income Builder and The Income Fund of America [Income (Mixed Equity)]; American Balanced Fund (Balanced); American High-Income Trust (High Current Yield); The Bond Fund of America (Corporate Debt A-Rated); Capital World Bond Fund (Global Income); Intermediate Bond Fund of America (Short-Intermediate Investment Grade Debt); U.S. Government Securities Fund (General U.S. Government); The Cash Management Trust of America (Money Market); The U.S. Treasury Money Fund of America (U.S. Treasury Money Market). Lipper average returns do not reflect effects of sales charges. Periods covered are the shorter of fund lifetimes or since December 31, 1959 (start of Lipper data).

3 Capital Research and Management Company began managing the fund on this date.

4 The investment adviser to the American Funds is currently waiving a 0.10% management fee for the target date funds. The investment adviser has no current intention of removing the waiver and, in any case, would not do so without approval from the Series board. In addition, the investment adviser has agreed to reimburse a portion of the fees and

Class R-3 shares average annual total returns with all distributions reinvested for periods ended December 31, 2008			Expense ratio	10-year period ended December 31, 2008
1 year	5 years	10 years		Standard deviation
–37.83%	–3.43%	0.76%	1.04%	14.3
–40.71	4.21	4.60	1.11	16.3
–39.23	–1.13	2.81	0.94	17.5
–42.02	–1.66	–0.65	1.17	19.5
–38.06	1.55	3.77	1.09	15.7
–46.52	6.61	—[5]	1.37	—[5]
–49.58	–0.38	2.43	1.42	22.3
–30.30	–0.87	1.64	0.96	11.8
–38.60	3.55	6.32	1.09	14.4
–39.89	0.38	2.50	0.98	15.2
—[5]	—[5]	—[5]	1.80	—[5]
–34.94	–1.59	1.20	0.92	12.5
–33.32	–1.70	0.76	0.95	13.4
–30.33	2.66	4.58	0.96	9.5
–29.19	0.31	3.33	0.95	9.5
–25.94	–0.44	3.66	0.90	9.6
–27.78	–1.65	2.27	1.07	9.8
–12.52	0.35	3.30	0.98	4.7
–0.98	4.29	5.29	1.24	7.1
–1.76	1.86	3.48	1.04	2.5
0.78	—[5]	—[5]	1.10	—[5]
7.40	4.17	4.62	1.07	3.5
1.40	2.43	2.54	1.01	0.5
0.79	2.02	2.21	1.06	0.5
–35.85	—[5]	—[5]	1.39/1.10	—[5]
–35.81	—[5]	—[5]	1.44/1.10	—[5]
–35.85	—[5]	—[5]	1.30/1.10	—[5]
–35.83	—[5]	—[5]	1.28/1.10	—[5]
–35.47	—[5]	—[5]	1.24/1.09	—[5]
–34.97	—[5]	—[5]	1.23/1.08	—[5]
–32.68	—[5]	—[5]	1.20/1.06	—[5]
–29.24	—[5]	—[5]	1.20/1.06	—[5]
–27.73	—[5]	—[5]	1.20/1.05	—[5]

expenses of the target date funds. These reimbursements may be adjusted or discontinued by the investment adviser at any time. Investment results shown reflect the waiver and reimbursements, without which the results would have been lower. Two expense ratios are shown. The first number does not reflect the waiver and reimbursements; the second number does. The expense ratios are as of each target date fund's most recent fiscal year-end and include the weighted average expenses of the underlying American Funds. Please see the funds' most recent shareholder report or prospectus for details. To see the underlying funds of each target date fund, refer to either the prospectus or shareholder report, or visit **AmericanFundsRetirement.com**. Although the target date funds are actively managed for investors on a projected retirement date basis, the funds' allocation strategy does not guarantee that investors' retirement goals will be met. The funds are subject to the same risks and returns as the underlying American Funds.

[5] The fund's lifetime is less than the full period. See inception date on page 12.

[6] Cumulative total return since inception.

From September 1, 2004, (October 1, 2005, for The Cash Management Trust of America) through December 31, 2008, the investment adviser to the American Funds and the business manager for Washington Mutual Investors Fund waived a portion of their management fees as described in each fund's annual report. The investment adviser has also reimbursed certain expenses for some funds. Investment results reflect the waivers and/or reimbursements, without which the results would have been lower. These reimbursements may be adjusted or discontinued by the investment adviser at any time. Please see each fund's most recent shareholder report or prospectus for details. International Growth and Income Fund's expense ratio is estimated. Class R-3 shares became available for purchase on May 15, 2002. Class R-3 share returns prior to the date of first sale are hypothetical based on Class A share results without a sales charge, adjusted for typical additional estimated expenses. Short-Term Bond Fund of America Class R-3 shares were first sold on November 22, 2006; results prior to that date are hypothetical, based on Class A share returns without a sales charge, and adjusted for estimated additional annual expenses of 0.39%. Please see each fund's most recent shareholder report for the actual date of first sale and the prospectus for more information on specific expenses.

American Funds®

The right choice for the long term®

Your retirement plan and American Funds

For nearly 80 years, American Funds has applied a consistent philosophy and consistent approach to generate consistent results. As you think about your ERISA responsibilities, we hope you will consider American Funds for your plan's investments.

Exclusive benefit

Part of your responsibility as a plan sponsor is to manage your plan for the *exclusive* benefit of the plan participants and their beneficiaries. With this in mind, it's important you consider an investment manager that embraces a consistent, long-term, value-oriented philosophy — like American Funds.

Ongoing due diligence

Plan sponsors have an ongoing obligation under ERISA to monitor their plan's investments. The ongoing due diligence you perform for your retirement plan includes comparing your plan's options against benchmarks over the long term. American Funds long-term investment results compare favorably against their relative benchmarks.

Diversification

Under ERISA a plan must offer a broad range of diversified investment alternatives. With 24 funds featuring several different investment objectives — plus the American Funds Target Date Retirement Series — available for your plan, you can build an investment lineup of the American Funds that offers objectives consistent with the goals of your plan participants.

Prudence

It's your responsibility under ERISA to select investment options for your plan using a prudent process. One way to demonstrate prudence in the investment selection process is to consider fund results in high and low cycles over the long term. The American Funds available to your plan have weathered various market cycles over their lifetimes.

Reasonable expenses

Investment expenses are typically the largest component of total retirement plan costs. As a prudent plan sponsor, it's your responsibility to monitor plan costs for the life of the plan. In the long run, choosing a provider with lower investment expenses has the potential to make a substantial difference in your total plan costs. American Funds management fees are among the lowest in the industry.

In addition to the 24 American Funds available for tax-deferred retirement plans and IRAs, we offer the American Funds Target Date Retirement Series. For details, please contact your financial professional or visit AmericanFundsRetirement.com.

For use with plan sponsors. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity so investors may lose money. Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds and, if applicable, any other investments in their plan. This and other important information is contained in the funds' prospectuses, which are available from the plan's financial professional and on the Web. It's important that investors read the prospectuses carefully before investing. If used after March 31, 2009, this brochure must be accompanied by a current American Funds quarterly statistical update.

Unless otherwise indicated, all facts and figures shown in this publication are as of December 31, 2008, for Class R-3 shares.

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American Funds®

The right choice for the long term®

Your American Funds retirement plan

Helping you and your employees meet their retirement goals

Thank you for your interest in American Funds.

American Funds is dedicated to:

- Making your job as a plan sponsor easier
- Providing high-quality investments and education for your employees
- Offering your plan at a good value and a reasonable cost

For use with plan sponsors. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so investors may lose money. Investors should carefully consider the objectives, risks, charges and expenses of the American Funds and, if applicable, any other investments in their plan. This and other important information is contained in the funds' prospectuses, which are available from their plan's financial representative and on the Web. It is important that investors read the prospectuses carefully before they invest.

Retirement plan proposal

Presented to:

Test Plan 6

On behalf of:

John Adviser
ABC Firm
411 North Ave NE Ste 1600
Town, ZZ 99999-5555
800/555-9900

4RZ5NF

Our shared commitment

As a retirement plan sponsor, you've made a commitment to help your employees plan for a secure financial future. At American Funds, we're dedicated to supporting this commitment.

Your financial representative is prepared to explain how an American Funds retirement plan embodies a unique combination of strengths:

Focus	**100%**	We are wholly dedicated to the analysis, management and servicing of investments that make up a full spectrum of offerings for retirement plan investors.
Experience	**75+** years	A recognized leader for more than 75 years, we are the second-largest mutual fund manager of defined contribution assets (*Pensions* & *Investments*, 2006). More than 40,000 retirement plans have American Funds solutions.
Results	**$1+** trillion	With more than $1 trillion in assets under management (as of 12/31/07), we have earned the trust and loyalty of millions of investors saving for retirement. More than half of our 50 million shareholder accounts are held by corporate retirement plan participants and IRA owners.

Your financial representative

Mission statement:

Your financial representative helps you create and maintain a high-quality retirement plan by providing excellent plan service for you and educational support for your participants.

Key beliefs, actions and commitments on the part of your financial representative will help you achieve these goals:

1	**Overall retirement plan servicing philosophy**	• The more smoothly your plan operates, the happier both you and your participants will be. • You can have a retirement plan that meets your needs at a reasonable price.
2	**Plan sponsor support**	• You can avoid the most common mistakes made by well-meaning plan sponsors. • You can create and monitor a diversified menu of investment options.
3	**Commitment to participant education and ongoing service**	• You can be assured that your plan receives periodic retirement plan education targeted to the needs of your employees. • You have the opportunity to facilitate rollovers for your participants when they leave your plan.

What we'll cover

Your plan

How Recordkeeper Direct® helps you

1	Introducing Recordkeeper Direct
2	Implementing your plan
3	Simplifying your plan management
4	Running your plan online
5	Managing your fiduciary liability

Your investments

How American Funds results, philosophy and process help your employees reach their retirement goals

1	Your investments
4	American Funds investment results
7	Our proven philosophy and process
13	Offering a full spectrum of mutual funds
14	American Funds details
20	Investments available in Recordkeeper Direct

Your employees

How American Funds helps your employees understand key investing principles and the importance of plan participation

1	Helping employees reach their retirement goals
2	Getting started
4	Staying invested
8	Leaving the plan

Your costs

How American Funds provides your plan at a good value and a reasonable cost

1	Understanding value and costs
4	Pricing your plan
—	Fee quote

Your plan

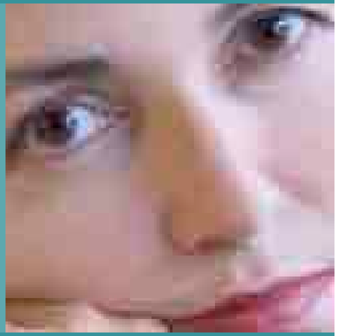
“The day-to-day management of my current plan is only a small part of my job, but it’s taking up the majority of my time — and I have to do it all on my own. I need a better solution.”

easier

The American Funds retirement program that your financial representative is offering helps you manage your retirement plan tasks and responsibilities so you can turn your attention to the other aspects of your job.

In this section, we'll show you how this program helps you:

- Implement your plan
- Simplify your plan management
- Manage your fiduciary liability



Introducing Recordkeeper Direct

Recordkeeper Direct is a first-class unbundled retirement plan solution designed especially for small businesses like yours. More than just a recordkeeping program, Recordkeeper Direct brings together all of the critical components of a small retirement plan — seamlessly and at reasonable cost with:

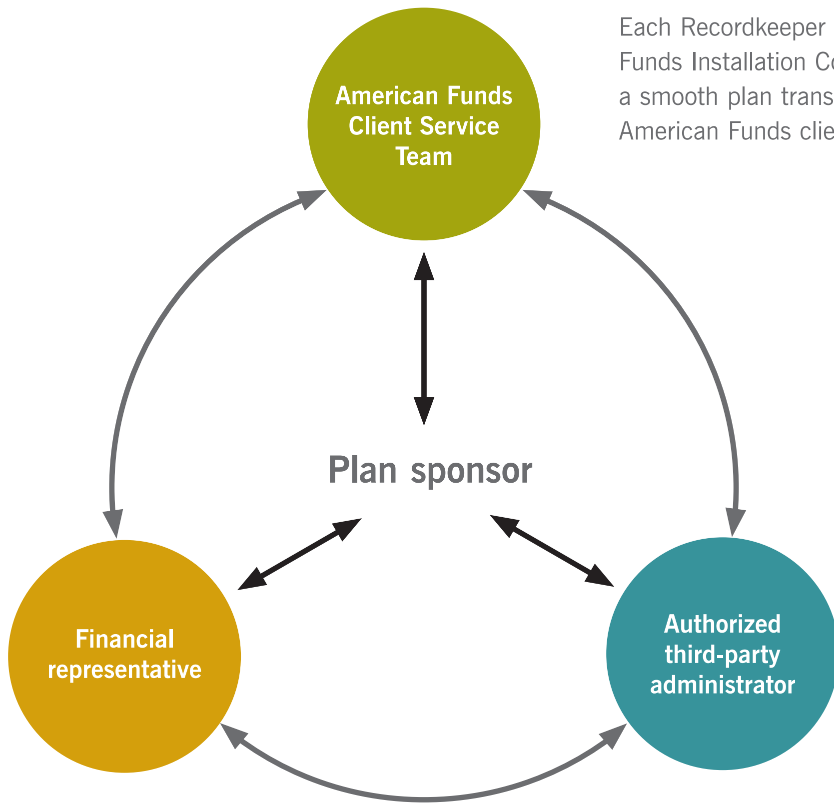
- **American Funds investment management**
- **American Funds recordkeeping services**
- **American Funds communication and education**
- **Local third-party administrator (TPA) services**

Implementing your plan

We make the process easy for you through:

Plan implementation and service

Each Recordkeeper Direct client is initially assigned an American Funds Installation Coordinator who works with your TPA to ensure a smooth plan transition. Once your plan is established, a team of American Funds client service associates is dedicated to your plan.



Ongoing support

Your financial representative plays a vital role in the installation and maintenance of your plan by assisting with various tasks such as selecting investment options, enrolling participants, conducting annual plan reviews and educating your employees.

Local specialization

With Recordkeeper Direct, you also benefit from the experience of a local TPA firm. Authorized TPA firms truly understand the small-plan market and can effectively focus on plan administration and year-end compliance.

Simplifying your plan management

Recordkeeper Direct includes many of the features you'd expect in a retirement plan program to make managing your plan easier by eliminating paperwork and simplifying the day-to-day tasks associated with plan administration. American Funds provides the investment management, employee education materials and recordkeeping for your plan, while your authorized TPA handles your plan administration.

Highlighted below is how the recordkeeping and administration in Recordkeeper Direct simplify what you have to do for your plan:

Recordkeeping

American Funds recordkeeping services include:

- daily valuation recordkeeping
- tracking of contributions by fund and money type
- plan sponsor website for transaction processing and access to plan information and reports
- electronic contribution processing via Automated Clearing House (ACH)
- loan repayment tracking
- tracking of employee vesting (based on information provided by the plan sponsor)
- distribution processing, including 1099-R reporting
- optional corporate trustee services from Capital Bank and Trust Company℠*

Plan administration

An authorized TPA provides:

- plan document and plan design services
- compliance testing and related services
- Form 5500 preparation
- loan authorization
- reconciliation of participant account valuations at conversion
- participant distribution, vesting and withholding verification

* 403(b) plans must use Capital Bank and Trust Company corporate trustee services.

Running your plan online

Recordkeeper Direct offers online access through the plan sponsor website. It makes your job easier because the system provides a round-the-clock view of your plan, including:

- Access to plan and participant information
- Fast and accurate online contribution processing with ACH remittance
- Access to a broad menu of plan and participant reports

Roster processing

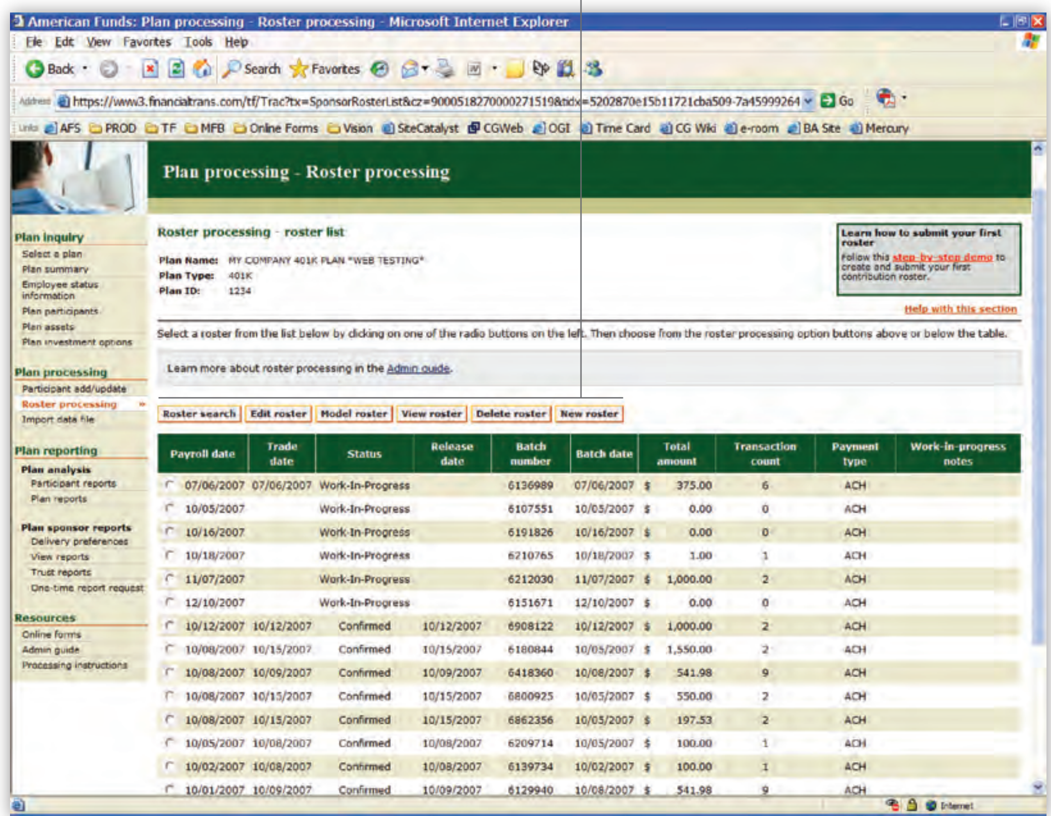
This section of the plan sponsor website is designed to help you create and upload your participant roster files. Rosters are used to submit contributions. You can easily search, edit and delete existing rosters, or you can create new rosters. You can transmit completed rosters for processing with the click of a button. At your direction, the appropriate investments are automatically transmitted by ACH, ensuring that contribution amounts always reconcile.

Fast report generation

Recordkeeper Direct's recordkeeping system makes plan reporting easier for you with standard and customizable reports. The Plan Analysis tool can help you manage your retirement plan more effectively. You can run queries and create reports based on criteria you choose.

Easy navigation to tools, forms and reports

Within the plan sponsor website, you can move quickly and easily using the left-hand navigation links. You can view and change employee information, submit contributions electronically and access information on both the employer and participant level. You can also access and download employee and plan reports.



To view an online demonstration of selected screens in the Plan Service Center, visit AmericanFundsRetirement.com/demoRKD.

Managing your fiduciary liability

As the retirement plan world becomes increasingly complex, meeting your fiduciary responsibilities is even more challenging. American Funds assists you in navigating the fiduciary waters with materials and reports to help you:

- Create an investment policy statement
- Take advantage of ERISA section 404(c)
- Select a default investment option that satisfies Department of Labor (DOL) requirements as described in the Pension Protection Act
- Conduct annual reviews of investments and plan operations
- Monitor plan fees and expenses

***Stay on Course*, an American Funds brochure designed specifically for plan sponsors, explains — in simple terms — what's expected of you under ERISA and then outlines action steps you can take to limit your liability. It's complete with checklists and templates.**

Use of materials is subject to home office approval.

Making your job easier

We're committed to alleviating some of the frustrations associated with plan management.

We hope you have a better understanding of how we can help you:

- Transition to Recordkeeper Direct with ease
- Simplify what you have to do on a day-to-day basis
- Run your plan online
- Manage your fiduciary liability with standard and customizable reports

Your investments

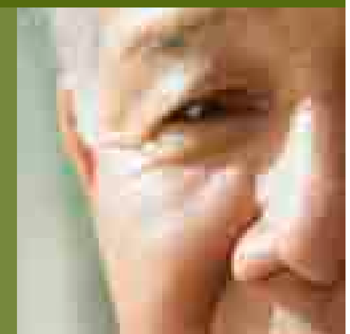
"I can't make decisions about the investments in our plan without knowing the details."

consistent

Our funds' long-term results are provided in this section for your in-depth review, along with a look at the process we've used to achieve them.

In this section, we'll cover:

- Our investment results
- A full spectrum of mutual funds
- A proven philosophy and process



Your investments

As a plan sponsor, your objective is to offer your employees a high-quality plan that will assist them in meeting their retirement goals. At the heart of any retirement plan are its investments — and the quality of those investments plays a critical role in your employees' success in reaching their savings goals.

At American Funds, we believe that the only reasonable way to measure investment results is over meaningful periods of time, such as full market cycles and rolling 10-year periods. We hope that after examining our investment results and learning more about our unique method of portfolio management, you'll understand why we're one of the nation's most trusted investment managers and the right choice for long-term, risk-sensitive investors.

This section highlights the funds available for your plan, their results, objectives, underlying investments and emphases. It also provides an introduction to our investing philosophy and process — one that we believe reflects our commitment to you and your plan participants.

Consistency

We believe our track record is built on a unique combination of strengths, practiced consistently over the years:

- **Consistent philosophy**
- **Consistent approach**
- **Consistent results**

Disclosure information

Figures shown on the following pages are past results for American Funds Class R-2 shares at net asset value and are not predictive of future results. Current and future results may be lower or higher than those shown here. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity. Although The Cash Management Trust of America and The U.S. Treasury Money Fund of America seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds. For current information and month-end results, visit AmericanFundsRetirement.com.

All returns shown assume the reinvestment of dividends. American Funds Class R-2 shares became available for purchase on May 15, 2002. Class R-2 share returns prior to that date are hypothetical based on Class A share returns, adjusted for typical additional estimated expenses and calculated without a sales charge. Short-Term Bond Fund of America Class R-2 shares were first sold on December 8, 2006; results prior to that date are hypothetical, based on Class A share returns without a sales charge, adjusted for estimated additional annual expenses of 0.78%. Please see each fund's most recent shareholder report for the actual date of first sale and the prospectus for more information on specific expenses.

The funds' investment adviser and the business manager for Washington Mutual Investors Fund are waiving a portion of their management fees, and the investment adviser has reimbursed certain expenses. Results shown on the following pages reflect the waivers and reimbursements, without which the results would have been lower. Gross expense ratios do not reflect the waivers and reimbursements; the net expense ratios do. The waivers and reimbursements may be discontinued at any time, but they're expected to continue at the current level until further review, which will be conducted with the funds' boards as circumstances warrant. Expense ratios are as of each fund's most recent fiscal year-end. The expense ratios for Short-Term Bond Fund of America are annualized. Please see each fund's most recent shareholder report for details.

Capital Research and Management Company assumed management of The Growth Fund of America on 12/1/73, Fundamental Investors on 8/1/78, The Income Fund of America on 12/1/73 and American Balanced Fund on 7/26/75.

Equity investments are subject to market fluctuations. Investing outside the United States (especially in developing countries) involves certain risks, such as currency fluctuations, as does investing in smaller companies, as more fully described in the prospectus. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal. The return of principal in bond funds and in a fund's bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks that are associated with the bonds owned by the underlying fund. Bond prices and a bond fund's share price will generally move in the opposite direction of interest rates. Shares of the U.S. Government Securities Fund are not guaranteed by the U.S. government. Diversification does not eliminate the risk of investing; losses are possible in diversified portfolios.

Volatility is calculated at net asset value using annualized standard deviation (based on monthly returns over the 10-year period), a measure of how returns over time have varied from the mean. A lower number signifies lower volatility.

Standard & Poor's 500 Composite Index is a measure of large-company U.S. stocks. MSCI World Index measures 23 developed-country stock markets. MSCI All Country World Index ex-USA measures 47 developed- and developing-country indexes. S&P/Citigroup Global/World indexes reflect results for SMALLCAP World Fund's (SCWF's) current and previous benchmarks. The S&P/Citigroup Global Index, used since May 2006, tracks more than 8,000 stocks with market capitalizations under $3 billion. Previously, the fund used two S&P/Citigroup World indexes and an S&P/Citigroup Global Index, reflecting market capitalizations of less than $1.2 billion, $1.5 billion and $2 billion, respectively. All of these indexes are unmanaged and include reinvested dividends and/or distributions, but they do not reflect sales charges, commissions, expenses or taxes. There have been periods when the funds have trailed the indexes.

The “Outpaced Lipper averages over 10-year periods” numbers shown on the following pages are at net asset value compared with Lipper averages: AMCAP Fund (multicap core); EuroPacific Growth Fund (international); The Growth Fund of America and The New Economy Fund (multicap growth); New Perspective Fund and Capital World Growth and Income Fund (global); SMALLCAP World Fund (global small-cap); American Mutual Fund (multicap value); Fundamental Investors, The Investment Company of America and Washington Mutual Investors Fund (large-cap value); Capital Income Builder and The Income Fund of America [income (mixed equity)]; American Balanced Fund (balanced); American High-Income Trust (high current yield bond); The Bond Fund of America (corporate debt A-rated); Capital World Bond Fund (global income); Intermediate Bond Fund of America (short intermediate investment grade debt); Short-Term Bond Fund of America (short investment grade bond); U.S. Government Securities Fund (general U.S. government); The Cash Management Trust of America (money market); and The U.S. Treasury Money Fund of America (U.S. Treasury money market). Lipper average returns do not reflect effects of sales charges. Periods covered are the shorter of fund lifetimes or since December 31, 1959 (start of Lipper data).

As of 6/30/08, the annualized seven-day SEC yield for The Cash Management Trust of America was .64% and for The U.S. Treasury Money Fund of America it was .25%. These yields take into account the management fees waived by the investment adviser and the reimbursement of certain expenses. Without these, the yield for The Cash Management Trust of America would have been .61% and .22% for The U.S. Treasury Money Fund of America. The seven-day yields more accurately reflect the funds’ current earnings than do the funds’ total returns.

The initial allocation and underlying funds in the target date funds shown on the following pages are as of February 1, 2007, the funds’ inception date. Allocation percentages and underlying funds are subject to the portfolio counselors’ discretion and will evolve over time. Although the underlying funds in the 2050, 2045, 2040 and 2035 target date portfolios have the same initial allocation, the portfolios closest to their specified retirement date will begin to change their allocations sooner than those further from their retirement date, according to the Retirement Series’ investment strategy. The target date funds’ investment adviser is waiving its management fees and has reimbursed certain expenses. Results shown reflect the waiver and reimbursements, without which the results would have been lower. Gross expense ratios do not reflect the waiver and reimbursements; the net expense ratios do. The waiver and reimbursements may be discontinued at any time, but they’re expected to continue at the current level until further review, which will be conducted with the funds’ boards as circumstances warrant. Expense ratios are as of each fund’s most recent fiscal year-end. Expense ratios for target date funds include the weighted average expenses of the underlying funds and are annualized for the current fiscal year. Please see the funds’ most recent shareholder report for details.

American Funds investment results

Your employees want the highest possible returns with minimal chance of loss.

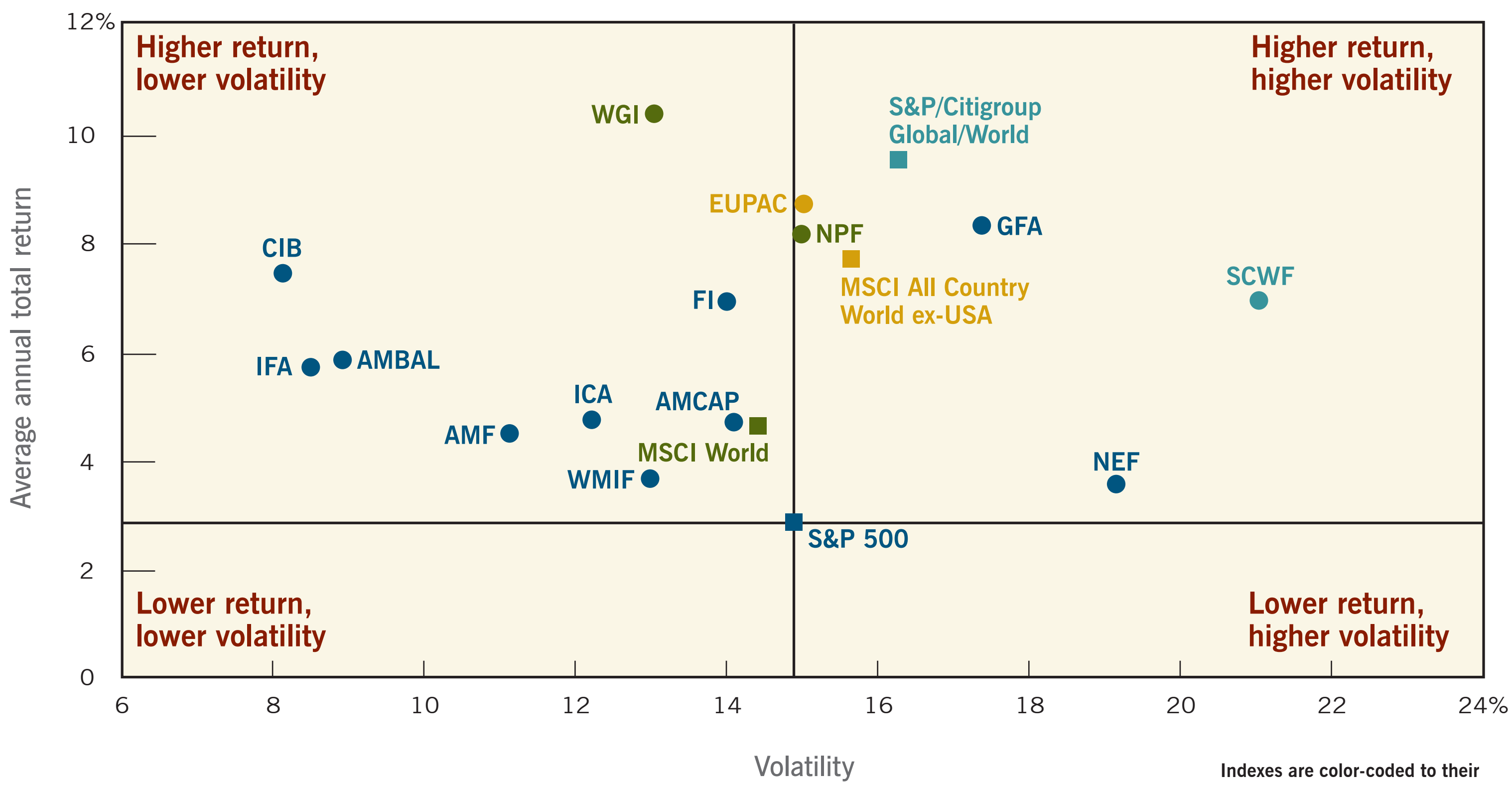
This chart plots average annual total returns and the volatility of equity-oriented American Funds with a 10-year history or longer. As you can see, most of these funds have fallen in the upper-left-hand quadrant, which denotes the funds' historically higher returns and lower volatility than the benchmark S&P 500 Index. Investments in this upper-left-hand quadrant have the higher return and lower volatility that many retirement plan investors are seeking. In comparison, the chart also shows where the benchmark indexes stood.

Benchmark comparison

Most equity-oriented American Funds with a 10-year history or longer have historically higher returns and lower volatility than the benchmark S&P 500 Index.

For the 10-year period ended June 30, 2008

Fund returns for Class R-2 shares at net asset value



Indexes are color-coded to their corresponding American Funds.

Average annual total returns through 6/30/08

Please read important disclosure information regarding investment results on pages 2 and 3 of this section.

Class R-2 shares	Fund began	Net assets	Fund's lifetime	Latest 20 years	Latest 10 years	Latest 5 years	Latest 3 years	Latest year	Outpaced Lipper averages over 10-year periods	Gross expense ratio	Net expense ratio
Growth											
AMCAP Fund®	5/1/67	$ 22.8B	10.75%	9.78%	4.72%	5.03%	1.41%	-15.43%	21 of 31	1.53%	1.47%
EuroPacific Growth Fund®	4/16/84	113.4	12.60	10.90	8.73	17.73	15.18	-4.95	14 of 14	1.61	1.57
The Growth Fund of America®	12/1/73	184.7	13.96	11.79	8.34	10.42	8.00	-5.95	16 of 25	1.42	1.40
The New Economy Fund®	12/1/83	8.2	10.60	9.59	3.59	9.13	6.11	-14.10	3 of 15	1.67	1.56
New Perspective Fund®	3/13/73	55.3	12.54	11.16	8.21	13.89	11.89	-5.18	20 of 25	1.60	1.53
New World Fund℠	6/17/99	18.7	12.28	N/A	N/A	24.26	23.38	6.27	N/A	1.90	1.76
SMALLCAP World Fund®	4/30/90	22.1	9.89	N/A	6.96	15.92	11.31	-14.26	2 of 8	1.93	1.77
Growth-and-income											
American Mutual Fund®	2/21/50	17.8	11.07	9.00	4.52	6.64	3.64	-13.77	7 of 39	1.49	1.41
Capital World Growth and Income Fund℠	3/26/93	107.2	12.70	N/A	10.39	16.23	12.89	-5.96	5 of 5	1.59	1.53
Fundamental Investors℠	8/1/78	50.9	12.79	11.43	6.92	13.05	10.67	-6.13	18 of 20	1.46	1.40
The Investment Company of America®	1/1/34	76.6	11.62	10.07	4.76	7.14	4.20	-13.92	25 of 39	1.44	1.39
Washington Mutual Investors Fund℠	7/31/52	69.5	11.38	9.89	3.69	6.06	2.87	-15.95	28 of 39	1.44	1.41
Equity-income											
Capital Income Builder®	7/30/87	106.4	10.22	10.55	7.45	10.55	8.16	-6.43	11 of 11	1.45	1.41
The Income Fund of America®	12/1/73	78.3	11.07	9.30	5.73	7.63	4.31	-12.20	10 of 25	1.44	1.39
Balanced											
American Balanced Fund®	7/26/75	55.3	10.49	9.05	5.88	5.61	3.06	-8.53	8 of 23	1.41	1.39
Bond											
American High-Income Trust℠	2/19/88	12.9	7.72	7.69	4.73	6.06	4.00	-4.01	8 of 10	1.69	1.47
The Bond Fund of America℠	5/28/74	37.3	7.94	6.37	4.23	2.95	2.01	-0.10	6 of 24	1.51	1.40
Capital World Bond Fund®	8/4/87	9.6	6.85	6.60	5.93	6.12	5.10	8.73	1 of 11	1.96	1.67
Intermediate Bond Fund of America®	2/19/88	5.5	5.02	5.08	3.56	1.75	2.17	2.30	0 of 10	1.62	1.45
Short-Term Bond Fund of America℠	10/2/06	.9	3.09	N/A	N/A	N/A	N/A	3.01	N/A	2.10	1.42
U.S. Government Securities Fund℠	10/17/85	3.7	5.84	5.57	4.02	2.38	2.83	6.28	0 of 13	1.73	1.48
Cash-equivalent											
The Cash Management Trust of America®	11/3/76	18.6	5.24	3.41	2.38	2.03	3.12	2.60	0 of 22	1.54	1.43
The U.S. Treasury Money Fund of America℠	2/1/91	1.4	2.54	N/A	2.05	1.69	2.59	1.83	0 of 7	1.59	1.48
Total									**49% of the time**		

American Funds investment results

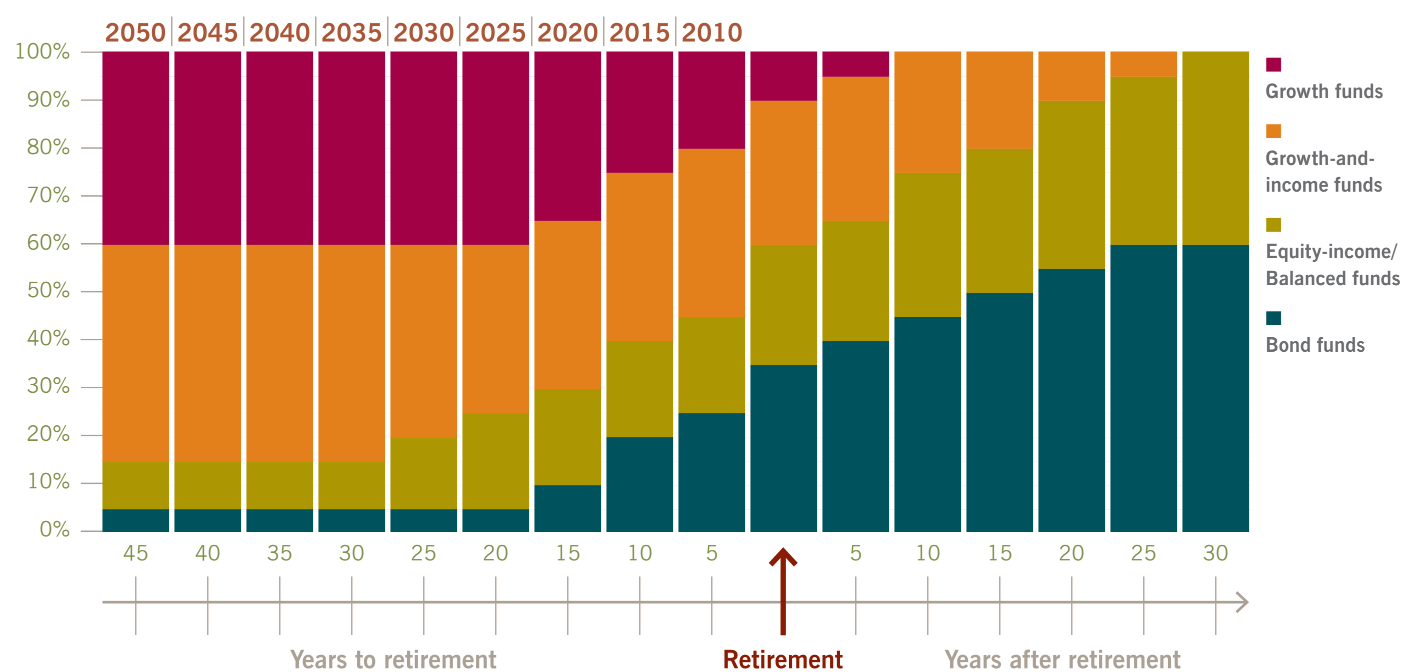
Average annual total returns through 6/30/08

Please read important disclosure information regarding investment results on pages 2 and 3 of this section.

Class R-2 shares	Fund began	Net Assets	Fund's lifetime*	Latest 20 years	Latest 10 years	Latest 5 years	Latest 3 years	Latest year	Outpaced Lipper averages over 10-year periods	Gross expense ratio	Net expense ratio
American Funds Target Date Retirement Series											
American Funds 2050 Target Date Retirement Fund®	2/1/07	$ 96.7M	-1.79%	N/A	N/A	N/A	N/A	-8.81%	N/A	1.98%	1.50%
American Funds 2045 Target Date Retirement Fund®	2/1/07	74.9	-1.80	N/A	N/A	N/A	N/A	-8.82	N/A	2.57	1.50
American Funds 2040 Target Date Retirement Fund®	2/1/07	178.1	-1.81	N/A	N/A	N/A	N/A	-8.83	N/A	2.01	1.50
American Funds 2035 Target Date Retirement Fund®	2/1/07	244.3	-1.77	N/A	N/A	N/A	N/A	-8.77	N/A	1.85	1.50
American Funds 2030 Target Date Retirement Fund®	2/1/07	358.4	-1.90	N/A	N/A	N/A	N/A	-8.77	N/A	1.77	1.50
American Funds 2025 Target Date Retirement Fund®	2/1/07	433.0	-1.93	N/A	N/A	N/A	N/A	-8.74	N/A	1.75	1.50
American Funds 2020 Target Date Retirement Fund®	2/1/07	564.9	-1.58	N/A	N/A	N/A	N/A	-7.92	N/A	1.70	1.49
American Funds 2015 Target Date Retirement Fund®	2/1/07	500.7	-1.01	N/A	N/A	N/A	N/A	-6.55	N/A	1.71	1.49
American Funds 2010 Target Date Retirement Fund®	2/1/07	425.8	-1.18	N/A	N/A	N/A	N/A	-6.52	N/A	1.74	1.48

The American Funds Target Date Retirement Series® is designed to help investors saving for retirement choose a single target date fund portfolio that is aligned with the year closest to the date they expect to retire. The Retirement Series consists of nine portfolios, each with a retirement date ranging from 2010 through 2050 in five-year increments. Made up of a diverse mix of the American Funds, each fund in the American Funds Target Date Retirement Series seeks to achieve a balance of growth, income and conservation of capital appropriate for its time horizon.

Investment strategy for target date portfolios



* Fund's lifetime return is cumulative since its inception.

Our proven philosophy and process

What sets us apart

The money that your employees put into their retirement accounts is money they're counting on for their future well-being. Many investors trust their retirement savings to American Funds because our funds have stood the test of time.

We can't promise you that our funds will provide the same returns in the future — no provider can — because past results can never be a guarantee of future results.

American Funds can, however, offer you the process by which these results have been achieved consistently over the long term. Our process is grounded in these five factors:

5 Factors

Focus	Factor 1	**A long-term, value-oriented approach**
Insight	Factor 2	**An extensive global research effort**
Perspective	Factor 3	**The multiple portfolio counselor system**
Experience	Factor 4	**Knowledgeable investment professionals**
Value	Factor 5	**A commitment to low management fees**

Factor **1** 2 3 4 5

Focus

A long-term, value-oriented approach

We are guided by a total commitment to honesty and integrity, paying particular attention to risk and our efforts to protect investors' money.

While our conservative value-oriented style may seem a bit old-fashioned at times, investors have been able to count on us for reliable long-term results, not euphoric short-term results. This becomes apparent when you look at our equity funds' results over 361 10-calendar-year periods since our first fund was introduced in 1934.

Our investment philosophy is based on doing what's right for our investors.

The value of a patient, focused approach

		Number of 10-year periods where the value of an investment:			
	Number of 10-calendar-year periods	was positive (annualized return greater than 0.00%)	at least doubled (annualized return 7.18% or greater)	at least tripled (annualized return 11.61% or greater)	at least quadrupled (annualized return 14.87% or greater)
AMCAP Fund	31	31	29	24	12
EuroPacific Growth Fund	14	14	14	8	3
The Growth Fund of America	25	25	25	24	14
The New Economy Fund	15	15	15	9	6
New Perspective Fund	25	25	25	23	15
SMALLCAP World Fund	8	8	7	1	1
American Mutual Fund	48	48	43	28	14
Capital World Growth and Income Fund	5	5	5	5	0
Fundamental Investors	20	20	20	16	12
The Investment Company of America	65	65	60	41	20
Washington Mutual Investors Fund	46	46	42	28	15
Capital Income Builder	11	11	11	5	0
The Income Fund of America	25	25	25	18	6
American Balanced Fund	23	23	23	18	2
	361	**361**	**344**	**248**	**120**
% of time		100%	95%	69%	33%

Results are as of December 31, 2007.

1
Factor 2
3
4
5

Insight

An extensive global research effort

American Funds operates one of the industry's most extensive global research efforts. We commit substantial resources to global investment research, visiting thousands of companies in more than 70 countries.

- We visit companies before and after investing.
- We meet a company's suppliers, bankers, customers and competitors to get a well-rounded view of its operations. We also meet with industry specialists, economists and government officials.
- We have research offices worldwide and 173 investment professionals — who speak more than two dozen languages — based around the world.

To determine a security's true worth, our investment professionals get to know a company inside and out.

A global reach: American Funds offices and countries visited

Perspective

The multiple portfolio counselor system

Our multiple portfolio counselor system has provided a consistent and sustainable way to achieve long-term investment goals. Here's how it works:

- Each fund's assets are divided into smaller, more manageable portions and assigned to:
  - — Individual portfolio counselors who make independent investment decisions, subject to fund objectives and overall guidelines. Their different investment styles, backgrounds and industry experience complement and strengthen the team.
  - — A research portfolio, where a group of investment analysts collectively manages one portion, typically 20% to 30% of the fund's total assets. These analysts invest in the areas and industries they cover.
- Each fund's coordinating portfolio counselor:
  - — Reviews investments for consistency with the fund's goals and objectives
  - — Monitors gains, losses and dividend income for the entire fund
  - — Oversees the assignment of new assets to portfolio counselors
- If one counselor retires or leaves, a high degree of continuity is maintained because only a portion of the portfolio actually changes hands.

A unique approach to managing investments that blends teamwork with individual accountability: the multiple portfolio counselor system

An example of our system in action: American Balanced Fund

Robert O'Donnell
Coordinating portfolio counselor
Equity
35 years of investment experience

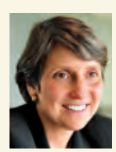
Alan Berro
Equity
21 years of investment experience

Gregory Johnson
Equity
13 years of investment experience

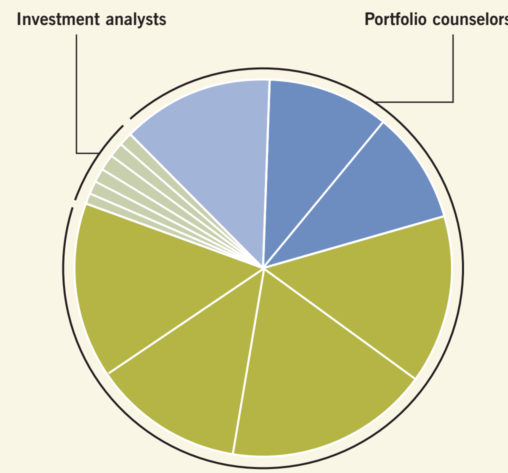
Dina Perry
Equity
29 years of investment experience

James Mulally
Fixed-income
31 years of investment experience

John Smet
Fixed-income
25 years of investment experience



Hilda Applbaum
Equity/Fixed-income
20 years of investment experience



Equity   Fixed-income   Equity/Fixed-income

Sizes of portfolio segments do not reflect actual relative allocations.

Rather than diluting the strength of individual abilities and convictions by imposing collective decision-making on the group, each portfolio counselor invests his or her portion of the portfolio on the basis of his or her strongest convictions.

The holdings of American Balanced Fund — which include approximately 440 U.S. stocks, non-U.S stocks, U.S. bonds and non-U.S. bonds — represent the individual investment ideas of seven portfolio counselors and numerous analysts.

1
2
3
Factor 4
5

Experience

Knowledgeable investment professionals

Managing assets is a skill learned only after years of experience and training. The American Funds portfolio counselors have:

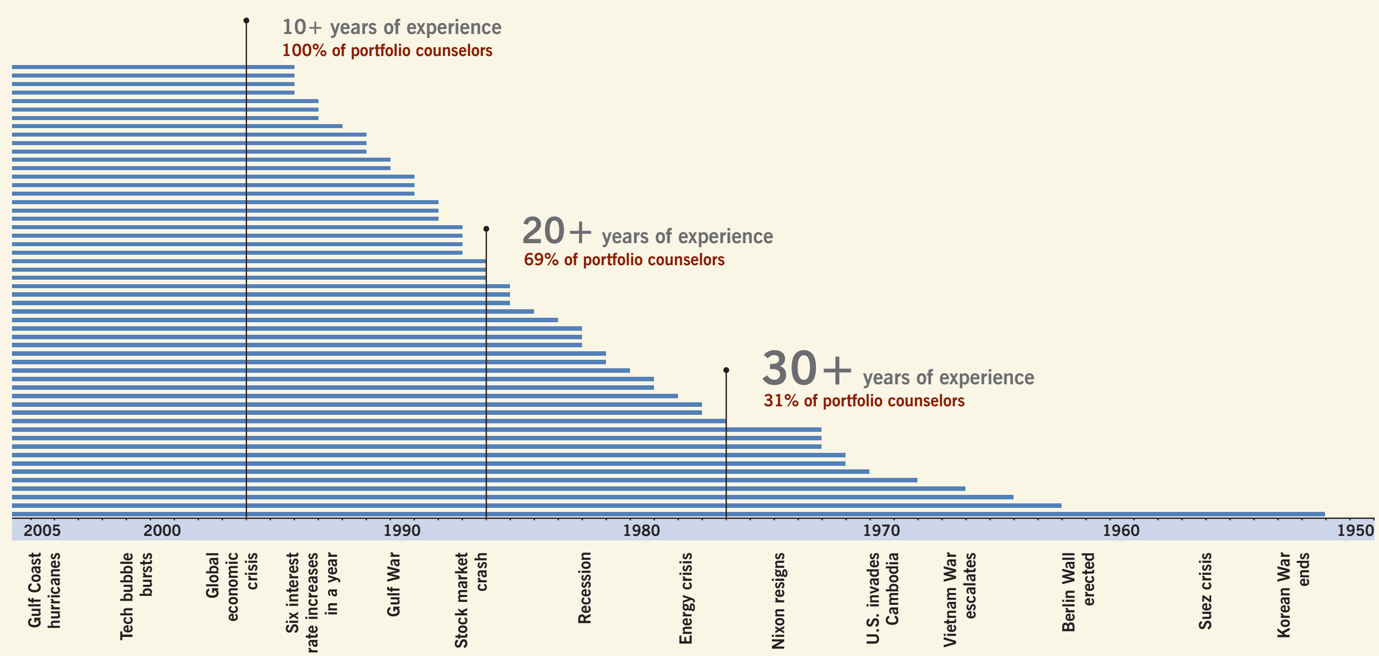
- An average of 26 years of investment experience, providing a wealth of knowledge that few organizations have.
- An average of 22 years of experience with American Funds or its affiliates.
- A depth of experience in varying market cycles. More than half were managing investments before the October 1987 crash. Nearly a third of them experienced the 1973–74 bear market. All of our fixed-income portfolio counselors experienced the difficult 1994 bond market.

Our organization views research as a career, not a steppingstone to portfolio management. We have analysts who have been building relationships with companies for decades. These analysts:

- Have been with our organization seven years on average, and many have prior industry experience.
- Work out of numerous offices around the globe.

Long management tenure has helped us maintain our consistent investment style for more than 75 years.

American Funds portfolio counselors' years of industry experience



Value

A commitment to low management fees

American Funds strives to keep fund management fees as low as possible so that overall operating expenses — including recordkeeping fees and administrative costs — can remain reasonable.

We can achieve this because:

- We have a large asset base but relatively few funds, which allows us to pass along economies of scale to our investors.
- We are committed to providing exceptional services at a reasonable cost.

Many plan sponsors look only at the initial cost when selecting a retirement plan. However, your plan's ongoing annual expenses can have a significant effect on long-term returns.

Lower is better: American Funds annual management expenses (%)

Management expenses include fees paid for performing research and buying and selling each fund's underlying stocks and bonds. The management expenses are as of December 31, 2007, and reflect any applicable fee waivers, without which the expense ratios would have been higher. Industry average data provided by Lipper.

Offering a full spectrum of mutual funds

American Funds offers a full spectrum of quality mutual funds, encompassing a range of investment objectives, varying degrees of volatility and different types of investments.

Cash-equivalent funds	Bond funds	Equity-income and balanced funds	Growth-and-income funds	Growth funds		
The Cash Management Trust of America® The U.S. Treasury Money Fund of America℠	The Bond Fund of America℠ Capital World Bond Fund® Intermediate Bond Fund of America® Short-Term Bond Fund of America℠ U.S. Government Securities Fund℠	The Income Fund of America® American Balanced Fund®	American Mutual Fund® Fundamental Investors℠ The Investment Company of America® Washington Mutual Investors Fund℠	AMCAP Fund® The Growth Fund of America®	SMALLCAP World Fund®	New World Fund℠
Money market investments	Investment-grade bonds	Domestic equities and bonds	Large domestic companies	Large domestic companies	Smaller companies	Developing-country exposure
	Noninvestment-grade bonds	Global equities and bonds	Large global companies	Large global companies	Mid-sized companies	
	American High-Income Trust℠	Capital Income Builder®	Capital World Growth and Income Fund℠	EuroPacific Growth Fund® The New Economy Fund® New Perspective Fund®		

Lower volatility — Higher volatility

The American Funds depicted here are positioned according to their primary investment categories. However, due to market fluctuations, SMALLCAP World Fund may have significant exposure to stocks of mid-sized companies. Fundamental Investors and The New Economy Fund have the potential for significant exposure to non-U.S. equities. In addition, The Income Fund of America has a combined equity/fixed-income limit of up to 35% of its assets outside the United States. The Bond Fund of America and Capital World Bond Fund may have up to 15% and 25% exposure, respectively, to below-investment-grade bonds.

Most investments carry some degree of risk. For example, the return of principal in bond funds and in a fund's 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 funds. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal. Investing outside the United States (especially in developing countries) involves additional risks, such as currency fluctuations, as does investing in smaller companies, as more fully described in the funds' prospectuses. **Although the money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds.**

American Funds details

Growth funds

Name	AMCAP Fund	EuroPacific Growth Fund	The Growth Fund of America	The New Economy Fund	New Perspective Fund	New World Fund	SMALLCAP World Fund
Objective	Seeks long-term growth of capital by investing primarily in stocks or issuers located in the United States as well as non-U.S. securities to a limited extent.	Seeks long-term growth of capital by investing in companies based outside the United States.	Seeks long-term growth of capital through a diversified portfolio of common stocks.	Seeks long-term growth of capital through investments in services and information industries in the United States and around the world.	Seeks long-term growth of capital through investments all over the world, including the United States.	Seeks long-term growth of capital by investing in stocks and bonds that offer significant exposure to countries with developing economies and/or markets.	Seeks long-term growth of capital by investing in the stocks of smaller companies in the United States and around the world.
Invests in	Dynamic companies of any size — today's industry leaders as well as tomorrow's up-and-comers.	A carefully chosen selection of companies located primarily in Europe and the Pacific Basin.	A wide range of companies that appear to offer superior opportunities for growth of capital.	Stocks of companies that provide services and information to their customers; the fund may invest up to 45% of its assets outside the United States.	Companies around the world, including the United States.	Stocks of companies based in the developed world with at least 35% of assets or revenues from qualified developing countries; stocks and bonds of companies with significant exposure to countries with developing economies.	Smaller companies in the United States and around the world (normally, at least 80% of the fund's assets will be invested in equity securities of smaller companies located around the world that have market capitalizations of less than $3.5 billion).
Emphasizes	U.S. growth companies that have shown potential for strong, steady progress in earnings and dividends.	Long-term growth by investing in both small and large companies based in industrial nations as well as in smaller developing nations.	U.S. companies that offer the best prospects for growth; the fund has the flexibility to focus on cyclical companies, depressed industries, turnarounds or undervalued situations.	Companies involved in these and other services and information areas: computer systems and software, telecommunications, health care, and banking and financial services.	Established companies in major world markets and focuses on changing trade patterns among the world's leading countries.	Long-term growth potential of developing countries, while tempering the volatility associated with such investments.	Potentially outstanding values among the world's most dynamic smaller companies.

Growth-and-income funds

American Mutual Fund	Capital World Growth and Income Fund	Fundamental Investors	The Investment Company of America	Washington Mutual Investors Fund
Strives for the balanced accomplishment of three objectives — current income, capital growth and conservation of capital.	Seeks long-term capital growth with current income by investing in established, growing companies all over the world, including the United States.	Seeks long-term growth of capital and income primarily through investments in common stocks.	Seeks long-term growth of capital and income, placing greater emphasis on future dividends than on current income.	Seeks current income and an opportunity for growth of principal consistent with sound common-stock investing.
Large, established U.S. firms with long records of increasing earnings and dividends.	Primarily blue chip stocks issued by companies in the world's largest stock markets.	Large, established companies; the fund may invest up to 30% of its assets in securities in issuers based outside the United States and Canada and not included in the S&P 500.	Primarily well-established blue chip companies that represent a wide cross section of the U.S. economy, as well as several well-established non-U.S. companies.	Stocks that meet the fund's investment standards, which are based on the strict criteria of the District of Columbia's "Eligible List" of investments deemed permissible for trust funds.
Well-known companies from a wide range of industries.	Established, growing companies in the United States and around the world.	Companies that have strong balance sheets, high-quality products and leading market share.	Companies with long records of increasing earnings and dividends.	U.S. companies that have consistently paid dividends.

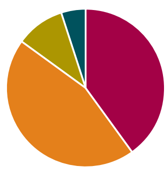
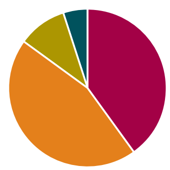
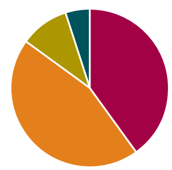
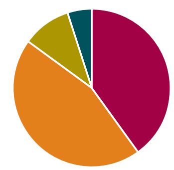
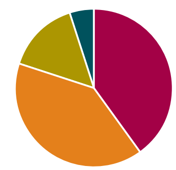
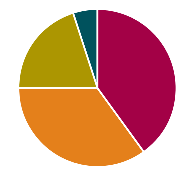
American Funds details

	Equity-income funds		Balanced funds	Bond funds			
Name	**Capital Income Builder**	**The Income Fund of America**	**American Balanced Fund**	**American High-Income Trust**	**The Bond Fund of America**	**Capital World Bond Fund**	**Intermediate Bond Fund of America**
Objective	Seeks above-average current income, a growing stream of income and growth of capital.	Seeks current income and, secondarily, growth of capital through a flexible mix of equity and debt instruments.	Seeks conservation of capital, current income, and long-term growth of capital and income by investing in stocks, bonds and other fixed-income securities.	Seeks a high level of current income, with capital appreciation as a secondary goal.	Seeks as high a level of current income as is consistent with preservation of capital.	Seeks high long-term total return consistent with prudent management by investing primarily in quality fixed-income securities issued by governments and corporations around the world.	Seeks current income and preservation of capital through a bond portfolio with a dollar-weighted average maturity of no less than three years and no more than five years.
Invests in	A broad range of income-producing securities, including stocks with a history of, or potential for, increasing dividends; may invest up to 50% of its assets in non-U.S. stocks.	A flexible mix of stocks, corporate and government bonds, convertible securities and money market instruments.	Blue chip stocks, investment-grade fixed-income securities and money market instruments.	A well-diversified portfolio of lower rated or unrated higher risk corporate bonds.	A diversified portfolio of bonds and other fixed-income securities.	Government/agency, corporate, and mortgage- and asset-backed bonds.	Primarily bonds rated A or higher at time of purchase (or unrated but determined to be of comparable quality), including corporate bonds, GNMA certificates and other mortgage-related securities, as well as cash; may invest up to 10% of its assets in securities rated BBB or Baa.
Emphasizes	Securities that can assist the fund in its goal to produce rising dividends every quarter.	Securities that can produce current income, as well as those that may provide capital appreciation.	A balanced approach and is managed as if the fund constituted the complete investment program of a prudent investor.	Undervalued but fundamentally sound businesses that can provide high income over the long run, not simply high current yield.	Strong bond market values in the United States and abroad.	Total return through prudent security selection; can seek out opportunities anywhere in the world, including issuers in developed and developing countries.	Intermediate-term investments with potential for higher income than short-term investments, which offer more stable principal.

		Cash-equivalent funds	
Short-Term Bond Fund of America	**U.S. Government Securities Fund**	**The Cash Management Trust of America**	**The U.S. Treasury Money Fund of America**
Seeks current income and preservation of capital through a portfolio of high-quality debt securities with a dollar-weighted average maturity no greater than three years.	Seeks a high level of current income and preservation of capital.	Seeks income on cash reserves, while preserving capital and maintaining liquidity, through high-quality money market instruments.	Seeks income on cash reserves, while preserving capital and maintaining liquidity, through investments in U.S. Treasury securities.
Corporate and government bonds, mortgage- and asset-backed securities and cash; debt securities rated Aaa/AAA or Aa/AA at the time of purchase (or unrated but determined to be of comparable quality); may invest up to 10% of its assets in A-rated bonds.	Primarily securities guaranteed or sponsored by the U.S. government and in cash and cash equivalents; may invest up to 20% of its assets in nongovernment securities with the highest quality rating (Aaa/AAA) at time of purchase (or unrated but determined to be of comparable quality).	High-quality money market instruments such as commercial paper and commercial bank obligations.	Short-term obligations of the U.S. Treasury.
Higher income than most money market funds; lower volatility than most intermediate- and long-term bonds.	A high level of current income; investments in bonds with minimal credit risk.	Short-term securities offering money market rates.	A relative degree of safety that comes from investing in securities backed by the U.S. government.

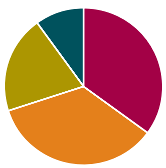
American Funds details

Target date funds

Name	American Funds 2050 Target Date Retirement Fund	American Funds 2045 Target Date Retirement Fund	American Funds 2040 Target Date Retirement Fund	American Funds 2035 Target Date Retirement Fund	American Funds 2030 Target Date Retirement Fund	American Funds 2025 Target Date Retirement Fund
Objective	All of the funds in the American Funds Target Date Retirement Series seek to provide growth, income and capital preservation, with the underlying investments					
Invests in						
	40% Growth AMCAP Fund EuroPacific Growth Fund The Growth Fund of America The New Economy Fund New Perspective Fund New World Fund SMALLCAP World Fund	**40% Growth** AMCAP Fund EuroPacific Growth Fund The Growth Fund of America The New Economy Fund New Perspective Fund New World Fund SMALLCAP World Fund	**40% Growth** AMCAP Fund EuroPacific Growth Fund The Growth Fund of America The New Economy Fund New Perspective Fund New World Fund SMALLCAP World Fund	**40% Growth** AMCAP Fund EuroPacific Growth Fund The Growth Fund of America The New Economy Fund New Perspective Fund New World Fund SMALLCAP World Fund	**40% Growth** AMCAP Fund EuroPacific Growth Fund The Growth Fund of America The New Economy Fund New Perspective Fund New World Fund SMALLCAP World Fund	**40% Growth** AMCAP Fund EuroPacific Growth Fund The Growth Fund of America The New Economy Fund New Perspective Fund New World Fund SMALLCAP World Fund
	45% Growth-and-income American Mutual Fund Capital World Growth and Income Fund Fundamental Investors The Investment Company of America Washington Mutual Investors Fund	**45% Growth-and-income** American Mutual Fund Capital World Growth and Income Fund Fundamental Investors The Investment Company of America Washington Mutual Investors Fund	**45% Growth-and-income** American Mutual Fund Capital World Growth and Income Fund Fundamental Investors The Investment Company of America Washington Mutual Investors Fund	**45% Growth-and-income** American Mutual Fund Capital World Growth and Income Fund Fundamental Investors The Investment Company of America Washington Mutual Investors Fund	**40% Growth-and-income** American Mutual Fund Capital World Growth and Income Fund Fundamental Investors The Investment Company of America Washington Mutual Investors Fund	**35% Growth-and-income** American Mutual Fund Capital World Growth and Income Fund Fundamental Investors The Investment Company of America Washington Mutual Investors Fund
	10% Equity-income/ Balanced American Balanced Fund Capital Income Builder The Income Fund of America	**10% Equity-income/ Balanced** American Balanced Fund Capital Income Builder The Income Fund of America	**10% Equity-income/ Balanced** American Balanced Fund Capital Income Builder The Income Fund of America	**10% Equity-income/ Balanced** American Balanced Fund Capital Income Builder The Income Fund of America	**15% Equity-income/ Balanced** American Balanced Fund Capital Income Builder The Income Fund of America	**20% Equity-income/ Balanced** American Balanced Fund Capital Income Builder The Income Fund of America
	5% Bond U.S. Government Securities Fund	**5% Bond** U.S. Government Securities Fund	**5% Bond** U.S. Government Securities Fund	**5% Bond** U.S. Government Securities Fund	**5% Bond** U.S. Government Securities Fund	**5% Bond** U.S. Government Securities Fund

becoming more conservative as each fund reaches and passes its target date.

American Funds 2020 Target Date Retirement Fund



35% Growth

AMCAP Fund
EuroPacific Growth Fund
The Growth Fund of America
The New Economy Fund
New Perspective Fund
New World Fund
SMALLCAP World Fund

35% Growth-and-income

American Mutual Fund
Capital World Growth and Income Fund
Fundamental Investors
The Investment Company of America
Washington Mutual Investors Fund

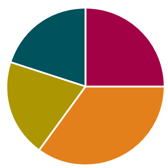
20% Equity-income/ Balanced

American Balanced Fund
Capital Income Builder
The Income Fund of America

10% Bond

U.S. Government Securities Fund

American Funds 2015 Target Date Retirement Fund



25% Growth

AMCAP Fund
EuroPacific Growth Fund
The Growth Fund of America
New Perspective Fund
New World Fund
SMALLCAP World Fund

35% Growth-and-income

American Mutual Fund
Capital World Growth and Income Fund
Fundamental Investors
The Investment Company of America
Washington Mutual Investors Fund

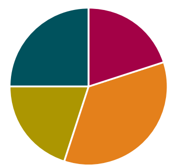
20% Equity-income/ Balanced

American Balanced Fund
Capital Income Builder
The Income Fund of America

20% Bond

The Bond Fund of America
Capital World Bond Fund
U.S. Government Securities Fund

American Funds 2010 Target Date Retirement Fund



20% Growth

AMCAP Fund
EuroPacific Growth Fund
The Growth Fund of America
New Perspective Fund
New World Fund
SMALLCAP World Fund

35% Growth-and-income

American Mutual Fund
Capital World Growth and Income Fund
Fundamental Investors
The Investment Company of America
Washington Mutual Investors Fund

20% Equity-income/ Balanced

American Balanced Fund
Capital Income Builder
The Income Fund of America

25% Bond

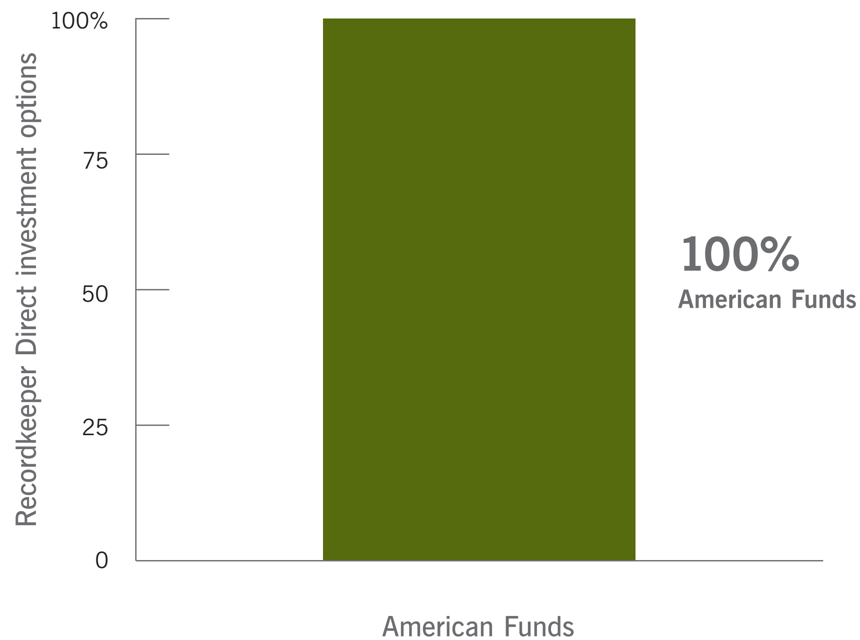
The Bond Fund of America
Capital World Bond Fund
U.S. Government Securities Fund

Investments available in Recordkeeper Direct

With a philosophy, process and track record that have held up for more than three-quarters of a century, and investments that encompass a comprehensive range of objectives, American Funds is likely all you need to create a fund lineup.

In Recordkeeper Direct, you can select up to 12 funds from the following investment options:

- 23 American Funds
- The American Funds Target Date Retirement Series (represents one fund)



In Recordkeeper Direct, the American Funds are the only investments in your plan's fund lineup. Using a program composed entirely of the American Funds can help your employees manage their funds how most people invest their money — with a goal in mind.

Helping your employees reach their goals

We're committed to providing your employees with high-quality investments.

We hope you have an understanding of how American Funds investments have stood the test of time based on a history of:

- Consistent results
- Proven philosophy
- Distinctive process

Your employees

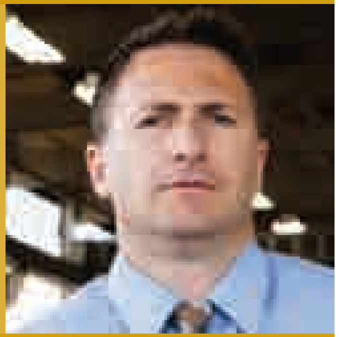
"I work hard and I need my investments to work just as hard for me. But I need help making that happen and planning for retirement."

prepared

We believe that your employees will have a greater likelihood of reaching their retirement goals if they have access to clear, comprehensive education materials that help them understand key investing principles.

In this section, we'll show you how we can help your employees understand the importance of plan participation in reaching their retirement goals as they:

- Enroll in your plan
- Stay invested in your plan
- Leave your plan



Use of materials is subject to home office approval.

Helping employees reach their retirement goals

Getting started | Staying invested | Leaving the plan

While investments are at the heart of every retirement plan, the plan itself is of little value to your employees unless they become participants and learn how to invest and ultimately achieve their retirement objectives. That's why we believe in the importance of educating your employees through each stage of saving for retirement:

- Getting started in your plan
- Staying invested while learning about key investing principles and what to look for in their investments
- Leaving the plan with ample knowledge of their options

Greatest sponsor concerns

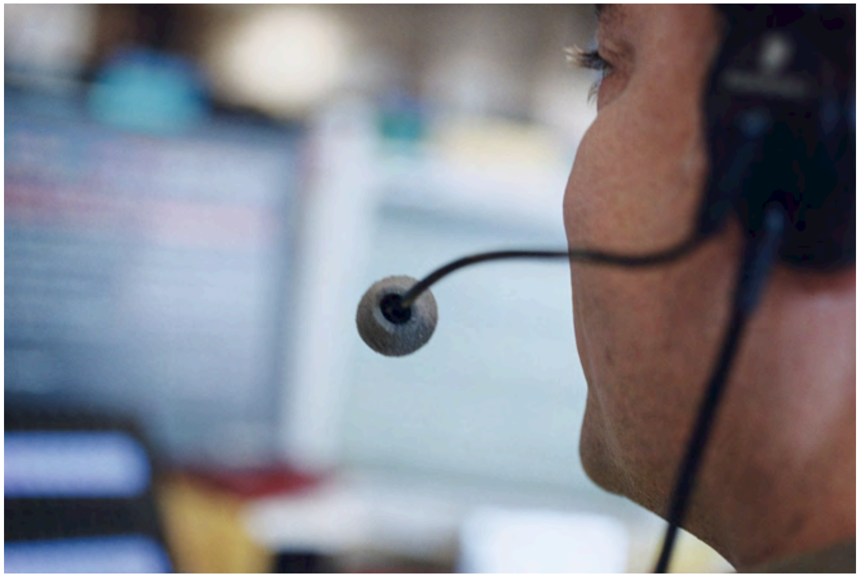
Top three challenges to increasing their plans' effectiveness:

- **Employee inertia/inattentiveness to retirement income needs**
  80%
- **Low level of employee savings**
  55%
- **Lack of diversification in investment allocation**
  42%

— Buck Consultants' *Defined Contribution Plan Trends Survey*, 2007

We offer multiple learning opportunities for your employees during their investing lifecycle:

- **Print**
- **Web**
- **E-mail**
- **DVD and video**
- **Phone**



Getting started

Getting started

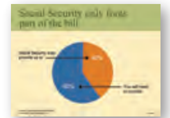
Enrollment payroll stuffer

Enrollment poster

Enrollment brochure

Enrollment DVD/video

Presentations



Telephone tutorial

American Funds believes in the importance of having your employees enroll in the plan as early as possible. We offer many useful materials to help them get started.

Our enrollment materials:

- Help motivate your employees to join your plan
- Describe the value of saving in your plan
- Explain your employees’ investment options

Motivating your employees

Our suite of enrollment materials makes it simple for your employees to enroll in your plan and select an investment mix. Available in both English and Spanish, our brochures, telephone tutorials, videos and other motivational tools teach them about saving and investing in your plan in easy-to-understand language.

Recordkeeper Direct's enrollment book features savings projections based on your participants' average salaries, savings rates and employer-match amounts.

This is a powerful motivator because when your employees see the projections, they'll realize that they may be able to reach their goals one step at a time.

Our enrollment book includes:

- Your company name on the cover
- Specific information about your plan and some employer-match schedules
- Asset allocation models focused on investor time horizons

Staying invested

Staying invested

Investment review

Fund fact sheets

Electronic postcards

Meeting announcement poster

Investing for Life brochures

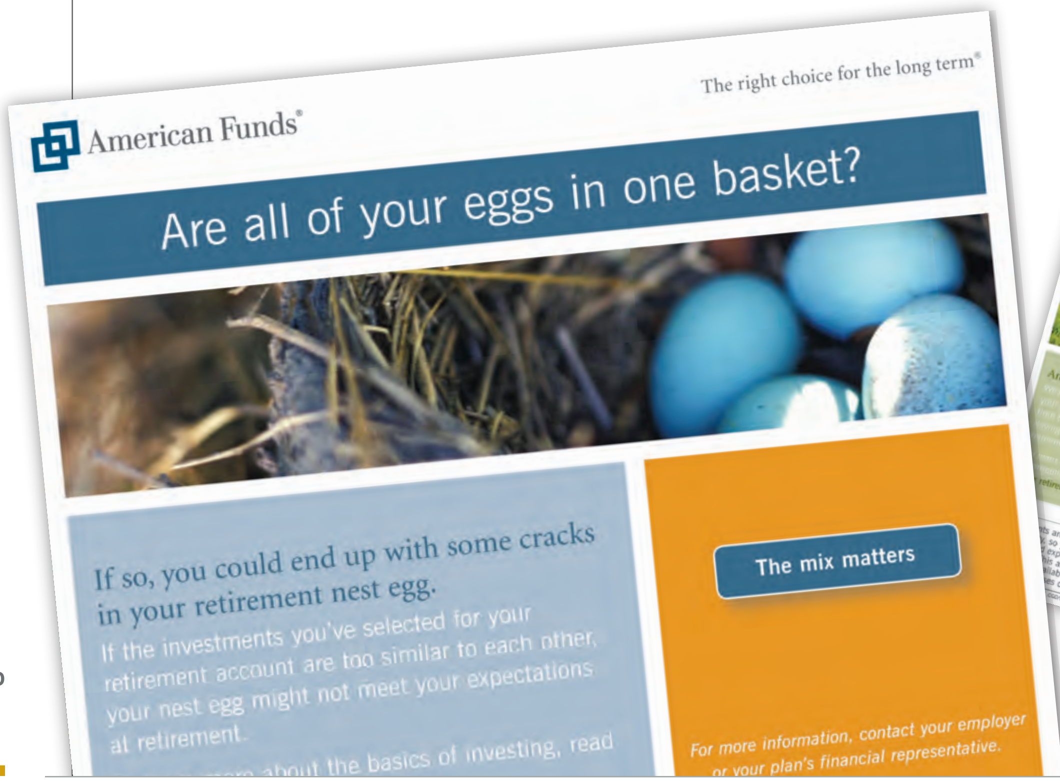
Quarterly newsletters

Website

It may seem that the toughest part of being a plan sponsor is getting your employees enrolled. However, keeping your employees in your plan for the long term may be an even more challenging task. American Funds offers a full range of media to help encourage non-participants to enroll in your plan and to help participants continue to make informed investment decisions.

Our complete education program consists of a suite of media to address the key concerns that may arise in the course of administering your plan, including:

- Nonparticipation
- Low deferrals
- Diversification
- Market volatility



Targeted e-postcards

If your annual plan review indicates an area of concern for your plan, you can send an e-postcard to selected employees.

PowerPoint® presentations accompany our Investing for Life brochures.

More than a dozen 30-minute seminars

30-minute retirement planning seminars with PowerPoint presentations and question-and-answer periods — convenient during company lunch hours — are designed to encourage plan participation and foster improved investing behavior.

Investing for Life series topics include:

- Nonparticipation*
- Low deferrals*
- Diversification
- Benefits of an employer match
- Market volatility
- Roth contributions*
- Retirement savings goals
- Loans*
- Working with a financial representative
- Participant account access
- Rollovers

* These topics are available in Spanish.

Available only for plans that use the American Funds enrollment book.

Periodic investment reviews

Your enrolled employees want to make sure their investments are on track to help them reach their retirement goals. *It's Time for a Checkup* provides an in-depth review of your plan's investments.

Staying invested

Staying invested

Investment review

Fund fact sheets

Electronic postcards

Meeting announcement poster

Investing for Life brochures

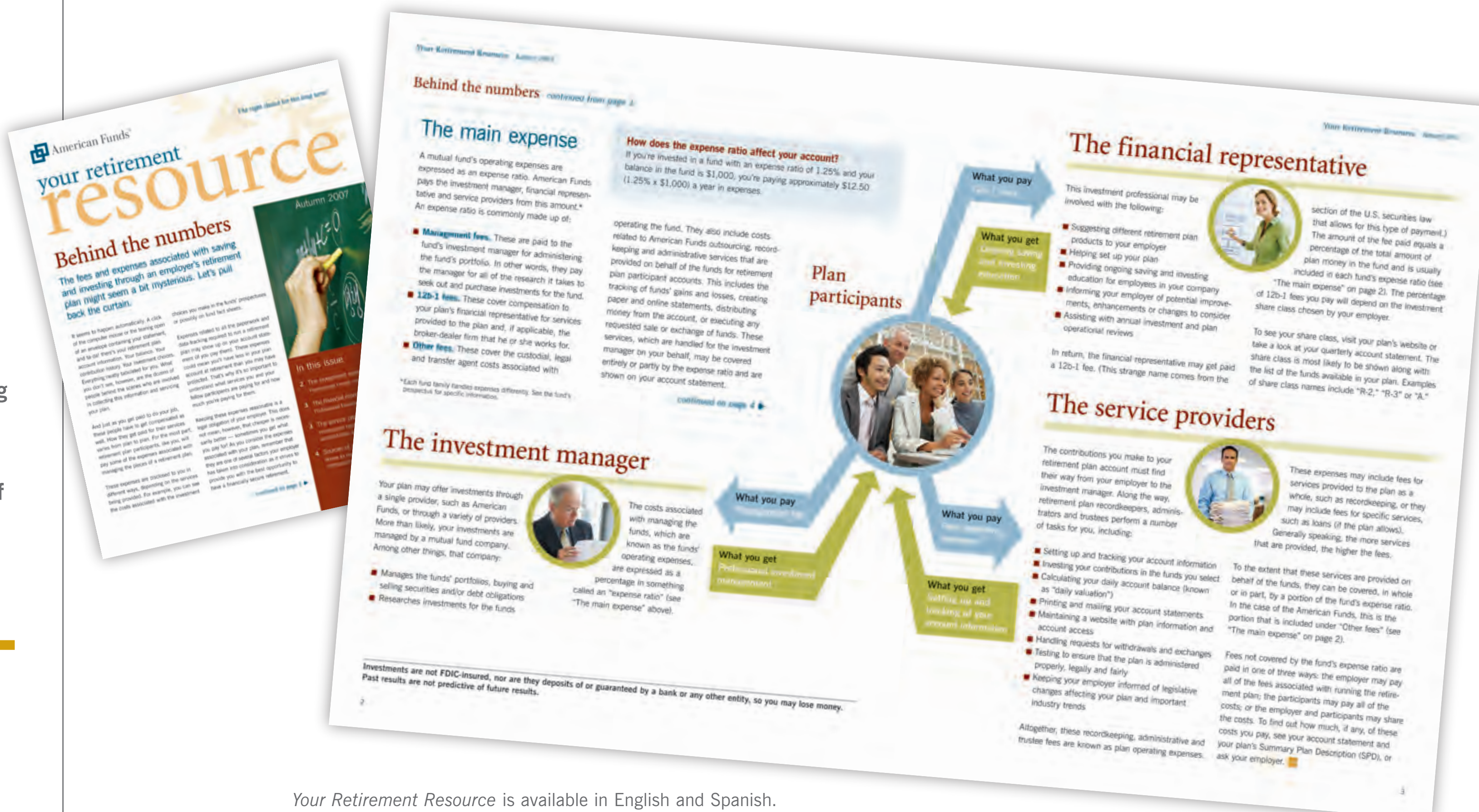
Quarterly newsletters

Website

Designed to help participants stay invested, our education materials offer timely articles on relevant retirement plan issues. Our online account management tools let your plan participants access and maintain their accounts on the Web.

Timely quarterly materials

We include this newsletter, *Your Retirement Resource*®, with participants' quarterly statements. It's devoted to helping them understand investment concepts and make the most of the many retirement planning resources available to them.

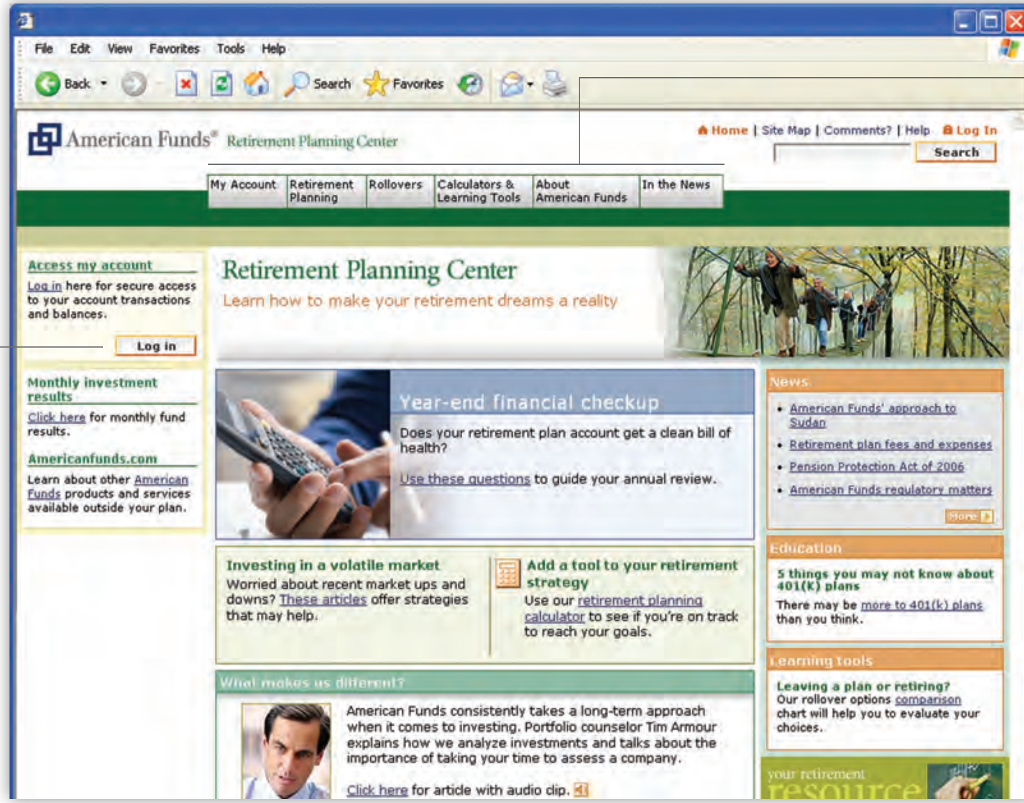


Your Retirement Resource is available in English and Spanish.

Easy-to-navigate participant website

Account access

From the Retirement Planning Center, employees can access their accounts 24 hours a day, 7 days a week. They can make changes to their accounts, check account balances, and learn more about retirement planning, rollovers and American Funds.



Interactive tools

Your employees can navigate easily through the website to use our calculators and other specialized learning tools.

Visit the website at **americanfunds.com/retire**.

To view an online demonstration of selected screens in the Retirement Planning Center, visit **AmericanFundsRetirement.com/demoRKD**.

Recordkeeper Direct enables you to offer a website for your plan participants with:

- Round-the-clock access to account balances
- Transaction capabilities

Leaving the plan

Rollover brochure

Required minimum distribution brochure

Beneficiary brochure

Meeting announcement poster

Investing for Life brochure

The choices participants make when leaving your company's retirement plan can have a significant effect on their financial security in retirement. Our distribution brochure helps your employees move to the next phase by explaining all of the options available to those leaving the plan.

After years of saving, there comes a time when participants must draw down the money in their retirement accounts.

We help employees evaluate their options by offering educational brochures that address:

- Required minimum distributions from IRAs
- Choices available to beneficiaries of employer-sponsored retirement plans

Evaluating distribution options

Education materials for employees leaving your plan are designed to help them make well-informed decisions.

Easy-to-follow distribution kit

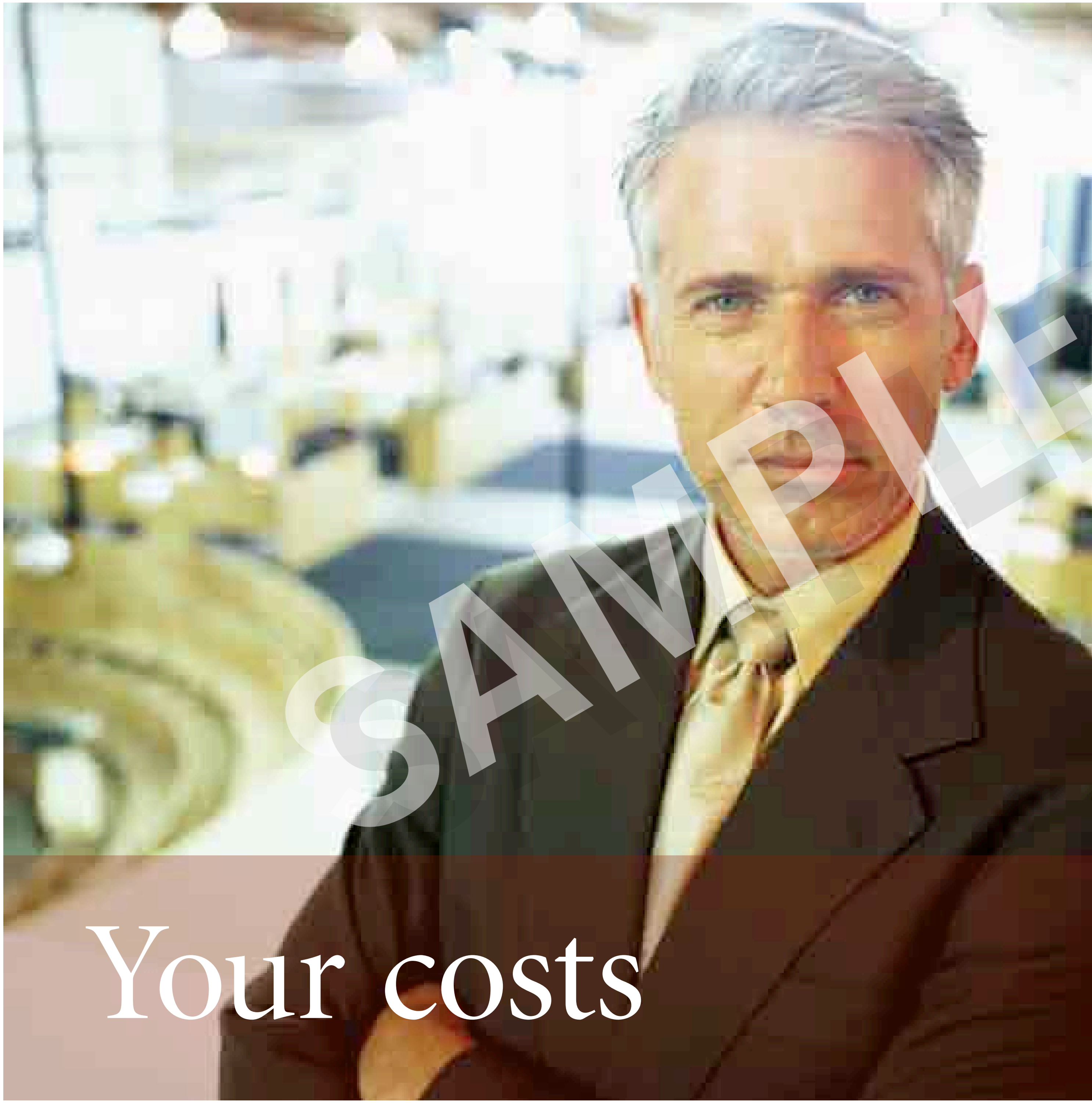
Our distribution kit describes the four options available to employees leaving your plan and includes the forms they need to make their next move.

Helping employees reach their retirement goals

We're committed to providing your employees with high-quality investments and to teaching them how to invest for the long term.

We hope you have an understanding of how we can help your employees as they:

- Enroll in your plan
- Stay invested in your plan
- Leave your plan



Your costs

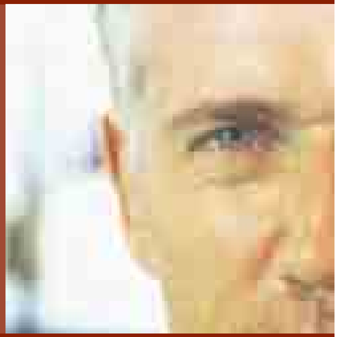
“Just getting to the bottom line can be complicated. I need a plan that makes it easy.”

prudent

American Funds and your financial representative are committed to offering you a quality retirement plan at a reasonable cost. In addition, we provide a detailed pricing structure so you can get to the bottom line easily.

In this section, we'll walk you through:

- Understanding value and costs
- Pricing your plan
- Taking action



Understanding value and costs

As a plan sponsor and fiduciary, it's your responsibility to choose a retirement plan that provides good value at a reasonable price. First, you should examine the features and benefits of the program you are assessing to ensure they are consistent with the objectives of your retirement plan. Next, you should evaluate costs. This task can be difficult because different providers have different pricing structures. To accurately determine plan costs, you first need to understand the types of expenses associated with retirement plans.

Generally speaking, there are two types of plan expenses. Although plan providers may categorize and report these fees in different ways, total plan cost is calculated like this:

Total plan cost = investment expenses + plan administration expenses

Investment expenses are expressed as an *expense ratio* and include:

- Fees paid to the fund's investment manager for managing the individual securities within each fund
- Distribution and/or service (12b-1) fees paid to your financial representative's firm for a variety of plan-level services, as well as for employee-related services such as enrollment guidance and ongoing education
- Other expenses incurred for various specialized legal, administrative and record-keeping services associated with the fund's operation

Plan administration expenses include costs for most day-to-day plan services, such as:

- Recordkeeping and administrative services provided to your entire plan
- Services that your plan participants personally elect, such as taking a loan, for which there may be associated fees

Your retirement plan share class

To offer clients the greatest degree of pricing flexibility and to meet their varying needs, American Funds offers five R share classes, each with a different level of financial representative compensation and total expense ratio. Four of these R share classes are available for Recordkeeper Direct.

You and your financial representative have selected the American Funds R-2 share class for your retirement plan.

Understanding value and costs

Once you understand the two types of retirement plan expenses, the next step in determining total plan costs is to evaluate plan providers' pricing structures. You need to be able to assess the sum of plan administration expenses (including recordkeeping) as well as investment expenses and other asset-related fees associated with your plan. Only then can you understand the true value of your plan.

While much attention is paid to plan administration expenses, investment expenses are equally important — if not more so — because these costs are generally borne by the participants in your plan. To determine the approximate investment expense for your plan, multiply your total plan assets by your average expense ratio. (For a more accurate calculation, multiply each fund's assets by that fund's expense ratio and add up the results.)

For example, consider the following plan:

Total plan assets	$ 750,000
Number of participants	25
Plan administration expenses	$ 2,500
Investment expenses ($750,000 x 1.10% average expense ratio)	$ 8,250
Total plan costs	**$ 10,750**

A plan may have other asset-related charges, such as an additional "wrap" or advisory fee. In this example, however, the total plan costs are the sum of the plan administration and investment expenses: $10,750.

Providing value

Quality in a product or service is not what the supplier puts in. It is what the customer gets out and is willing to pay for.... Customers pay only for what is of use to them and gives them value. Nothing else constitutes quality.

— Peter F. Drucker, management expert, author and teacher (1909–2005)

To see how different pricing structures can affect plan costs, let's consider this hypothetical tale of two providers. While Provider B may initially appear to offer a less expensive program because there are no explicit billable fees for plan administration and recordkeeping, costs that weren't immediately visible — for example, investment fees and other asset-related charges — add up. In this example, the provider that bills more in explicit fees actually offers the lower cost solution. It's helpful to look at total plan costs as a percentage of assets to evaluate how your plan costs fluctuate over time relative to changes in overall plan assets.

Monitor fees and expenses

ERISA requires you to ensure that the costs borne by the plan are reasonable and appropriate. This is your fiduciary duty.

	Plan provider **A**	Plan provider **B**
Total plan assets	$1,000,000	$1,000,000
Plan administration expenses	$ 3,000	$ 0
Investment expenses	$ 11,000	$ 12,500
Other asset-related fees	$ 0	$ 7,500
Total plan costs	**$ 14,000**	**$ 20,000**
Total plan costs as a % of assets	**1.40%**	**2.00%**

Pricing your plan

Different providers have different pricing structures. This worksheet can help you ask the right questions to make an apples-to-apples comparison of retirement plans and make sure you're selecting the plan that offers the best value for your company and your employees.

		American Funds		Provider #2		Provider #3	
		Yes	No	Yes	No	Yes	No
Hidden costs?	1. Are there any costs (including mutual fund payments for recordkeeping and administration) that are not clearly defined in the quote?		X				
Mapping restrictions?	2. Is the fee schedule dependent on assets being mapped to certain investment options? If so, determine the effect on pricing if restrictions aren't met.		X				
Fund restrictions?	3. Is the fee schedule dependent on using specific fund options (lifestyle, GIC, stable value, etc.)?		X				
Asset-based charges?	4. Does the fee structure include asset-based charges not stated in the fund prospectus?		X				
Yield reduction?	5. Are any fees charged for fixed-income-type products assessed by reducing the stated yield? If so, determine the degree of yield reduction.		X				
Extra charges?	6. Do pre-mixed asset allocation models (including life-cycle funds, etc.) incur extra charges?		X				
Termination charges?	7. Are there any surrender or termination charges with the program?		X				

Recordkeeper Direct® fee quote for

Test Plan 6

*This fee quote is valid for 180 days and is an **estimate** based on the plan data provided. Final fees are based on actual plan data (plan assets, number of participants and resulting average participant account balance) in the recordkeeping system.*

This fee quote is based on the assumptions shown at right.

- American Funds R-2 share class
- Start-up 403(b) plan
- 20 eligible employees
- Up to 12 total fund options
  (If selected, the American Funds Target Date Retirement Series will be considered one of the 12 total fund options.)
- Annual compensation paid to your financial representative's dealer firm is 0.75% on eligible assets (included in funds' expense ratio)

One-time fee

One-time installation fee[1]	$500

Ongoing recordkeeping fee

Annual recordkeeping fee[2]	$500

Additional ongoing fees

These fees will be charged only to plans that offer loans and/or use Capital Bank and Trust Company as plan trustee or 403(b) custodian

Annual trustee fee (optional service for 401(k), profit-sharing and money purchase plans)[2]	$750
Annual custodial fee (required service for all 403(b) plans)[2]	$750
Loan fees (deducted from participant accounts)	
• Establishment	$85
• Annual maintenance	$50

[1] Any applicable installation fee will be billed on the first quarterly invoice.
[2] Any applicable recordkeeping, trustee and/or custodial fees will be invoiced quarterly in arrears.

The TPA will charge and bill separately for its administration services.

continued on back

Fee schedule for R-2 share class

- *Final fees may differ from the estimated fee quote provided in this proposal. Final fees are based on actual plan data on the recordkeeping system.*
- *Recordkeeping fee is subject to change annually based on the plan's average participant account balance as of the plan's anniversary date.*

Average participant account balance[1]	**$5,000 or less**	**More than $5,000**
One-time installation fee[2]	$500	$0
Annual recordkeeping fee[3]	$500	$0
Loan fees (deducted from participant accounts)		
Loan establishment	$85	$85
Annual maintenance	$50	$50

Capital Bank and Trust Company (CB&T) trustee fees (optional service for 401(k), profit-sharing and money purchase plans)[3] — $750 annually for all share classes.

CB&T custodial fees (required service for 403(b) plans)[3] — $750 annually for all share classes.

The TPA will charge and bill separately for its administration services.

[1] Average participant account balance is total plan assets divided by number of plan participants with assets in their accounts.
[2] Plan installation fee will be billed on the first quarterly invoice.
[3] Any applicable recordkeeping, trustee or custodial fees will be invoiced quarterly in arrears.

How can we get started?

Is there other information you need in order to make your decision? If so, please provide your financial representative with a list of questions you have about this American Funds retirement plan program.

Your deadline for receiving answers to these important questions

The target date for your final decision

Once you make your decision, your financial representative will meet with you to complete the necessary forms to get started.

American Funds®

The right choice for the long term®

The Capital Group Companies American Funds Capital Research and Management Capital International Capital Guardian Capital Bank and Trust