

# American Funds®/PMC Active Income Portfolios

Investing focused on income and longevity

Combining the legacy of investment management at American Funds with the research, portfolio consulting and management experience of Envestnet | PMC, the Active Income Portfolios are constructed around the philosophy of using a core of select active managers to balance market risk and volatility risk, two concerns for income-focused investors. Offering flexibility, efficiency, and the potential to outperform, the portfolios are suitable for a variety of investor objectives and risk profiles.

## PMC: methodology steeped in sound fundamental theory and disciplined execution

### ▶ Capital markets assumptions (CMAs)

CMAs are the expected returns, standard deviations, and correlations that represent the long-term risk/return forecasts for numerous asset classes. CMAs serve as the foundation for portfolio construction, risk measures, asset allocation models, and portfolio wealth forecasts.

### ▶ Asset allocation

CMAs inform our asset allocation methodology, guiding the construction of a series of risk-based asset class portfolios at various domestic equity tiers and diversifying asset class combinations.

### ▶ Due diligence

Through a multistage and multifactor due diligence process, PMC seeks to provide comprehensive, unbiased coverage of asset classes and strategies, identify managers that consistently outperform benchmarks on a risk-adjusted basis, maintain the integrity of asset allocations through appropriate manager recommendations, and deliver timely communications.

### ▶ Portfolio solutions

PMC combines specialist asset managers and PMC capital markets intelligence to create advanced mutual fund wrap portfolios.

## The Capital Advantage®: helping investors pursue long-term investment success since 1931

### ▶ Aligned with investor success

American Funds bases its decisions on a long-term perspective to align its goals with the interests of the client. The portfolio managers average 27 years of investment experience, including 21 years with the firm, reflecting a career commitment to our long-term approach.<sup>1</sup>

### ▶ Active at the Core

Getting more from core equity assets is a critical objective because typically these assets represent the largest allocations for investors. Using a core portfolio of select active investments can offer the potential for superior long-term results.

### ▶ The Capital System<sup>SM</sup>

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

### ▶ Low management fees

On average, the funds' management fees have been among the lowest in the industry.<sup>2</sup>

<sup>1</sup> Portfolio manager experience as of December 31, 2020.

<sup>2</sup> On average, management fees were in the lowest quintile 66% of the time, based on the 20-year period ended December 31, 2020, versus comparable Lipper categories, excluding funds of funds.

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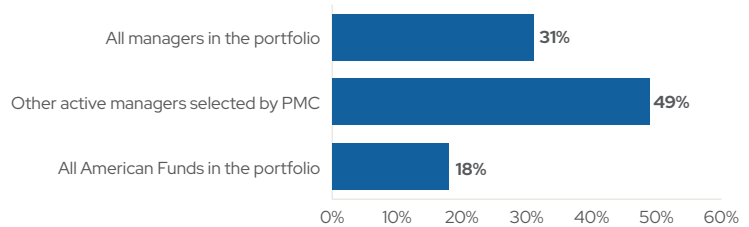
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## Three active manager traits to enhance portfolio longevity

The Active Income Portfolios emphasize selecting active managers that meet three key traits: **high manager ownership**, **low expense ratio**, and **low downside capture**. Managers exhibiting these three traits have been found to outpace indexes significantly more than those active managers that only provided downside capture.<sup>3</sup>

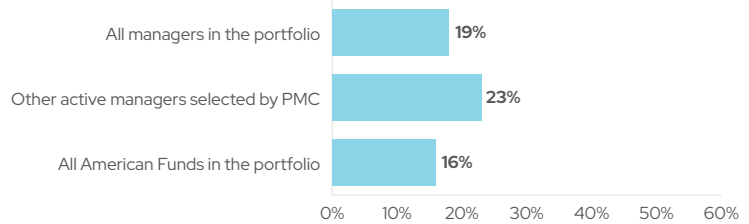
### High manager ownership

Selected managers rank within the top percentiles versus their style group peers in terms of investing in their own funds. The lower the percentage, the higher the manager's tier of fund ownership compared to style group peers.<sup>4</sup>



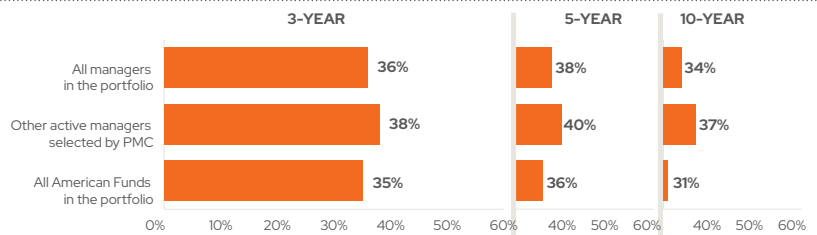
### Low expense ratio

Selected managers rank within the top percentiles versus their style group peers in terms of expense ratios. The lower the percentage, the lower the manager's expense ratio compared to style group peers.<sup>4</sup>



### Low downside capture

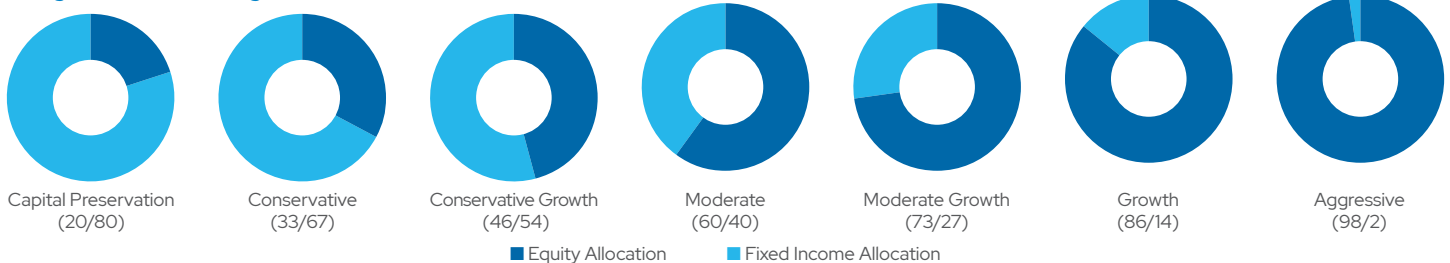
Selected managers rank within the top percentiles versus their style group peers in terms of downside capture. The lower the percentage, the better the managers' downside capture compared to style group peers.<sup>4</sup>



## Portfolios to suit a range of objectives

The American Funds®/PMC Active Income Portfolios offer seven target allocations, from conservative to aggressive.

### 7 Target Allocation Strategies



<sup>3</sup> Source: Capital Group, "Build Retirement Portfolios that Seek Greater Wealth and Lower Risk", 2016.

<sup>4</sup> Charts based on data from Morningstar and Envestnet | PMC analysis (of ownership data). Charts depict average manager ownership percentiles, average expense ratio percentiles, and average downside capture percentiles of managers in the portfolios.

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Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) funds are subject to interest rate risk which is the risk that debt securities in a fund's portfolio will decline in value because of increases in market interest rates.

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Diversification does not guarantee a profit or guarantee protection against losses.

Envestnet | PMC is solely responsible for the fund selection and construction of the Portfolios and neither American Funds Distributors, Inc. nor its affiliates are involved in such activities.

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