

Model portfolios: Our rebalancing process

At Capital Group, we strive to ensure financial intermediaries and their clients understand our approach to rebalancing, which can help keep models aligned with their objectives.

The Portfolio Solutions Committee (PSC) and the Capital Solutions Group (CSG) have established protocols and risk-monitoring processes to govern when and how we rebalance our models. We encourage intermediaries to educate clients about rebalancing and the important role it plays in helping them achieve their goals.

We distinguish between two types of rebalancing for model portfolios:

1. Underlying funds rebalancing – a market-driven process

As market conditions change, a model's underlying fund allocations may drift meaningfully from the targets the PSC has set as part of the model's overarching strategy. We initiate a rebalance back to underlying target allocations when any of the following scenarios occur:

- **Quarterly rebalance** – The underlying fund allocations have drifted more than 1% from target allocations at quarter end.
- **Intra-quarter rebalance** – Market conditions result in a drift greater than 3% from target allocations intra-quarter.
- **Intra-quarter rebalance of active-passive models** – The overall exposure to passive underlying strategies drifts below 25% intra-quarter.

Please note that Capital Group does not have discretion to rebalance allocations in client accounts. Each sponsor firm is responsible for implementing its own monitoring and rebalancing process for all client accounts.

2. Strategic allocation ranges rebalancing

Strategic asset allocation ranges support robust and disciplined risk monitoring of portfolios. The allocation ranges are not rigid asset class limits. Instead, they establish thresholds that, when crossed, trigger asset class review. The goal is to ensure that each portfolio remains well positioned to deliver its specific objectives. If aggregated portfolio exposure persistently resides outside of a monitoring threshold for an extended period, the PSC and CSG evaluate whether to recommend a rebalancing or no-action and continued monitoring.

Separate notifications are sent to sponsor firms for strategic reallocation ranges for rebalancing.

Market driven rebalancing and strategic allocation ranges are key parts of Capital Group's efforts to uphold the models' investment objectives and, ultimately, to help clients reach their goals.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value
MODEL PORTFOLIOS ARE ONLY AVAILABLE THROUGH REGISTERED INVESTMENT ADVISERS. THIS CONTENT IS INTENDED FOR REGISTERED INVESTMENT ADVISERS.

Model portfolios are provided to financial intermediaries who may or may not recommend them to clients. The portfolios consist of an allocation of funds for investors to consider and are not intended to be investment recommendations. The portfolios are asset allocations designed for individuals with different time horizons, investment objectives and risk profiles. Allocations may change and may not achieve investment objectives. If a cash allocation is not reflected in a model, the intermediary may choose to add one. Capital Group does not have investment discretion or authority over investment allocations in client accounts. Rebalancing approaches may differ depending on where the account is held. Investors should talk to their financial professional for information on other investment alternatives that may be available. In making investment decisions, investors should consider their other assets, income and investments. Visit capitalgroup.com for current allocations.