

Changes to tax-aware models

As part of the ongoing active management of our multi-asset solutions, Capital Group's solutions investment team regularly conducts strategic and thematic research on the portfolios to ensure alignment with their long-term objectives. The team assessed current portfolio allocations utilizing updated capital markets output and model optimization, considering both quantitative and qualitative criteria. Following the most recent review, research-driven modifications to several models have been approved.

Key themes driving the updated allocation recommendations

- Continue to pursue tax efficiency through the addition of several active Capital Group exchange-traded funds (ETFs). Following these changes six of the seven models will transition to 100% ETFs.
- Increase exposure to global underlying funds to increase exposure to international equities to align exposures with model objectives and with strategic asset allocations.
- Modestly increase growth and capital appreciation oriented exposure, and decrease growth and income oriented exposure in-line with the models' tax-aware objectives while seeking to maintain comparable forward-looking risk/return characteristics.
- Modestly increase overall fixed income exposure across several of the models to maintain volatility characteristics with portfolio objectives as ETFs generally hold less underlying cash than mutual funds.
- Tax-Exempt Preservation Model will maintain allocations to American Funds Limited Term Tax-Exempt Bond Fund™ and American Funds Short-Term Tax-Exempt Bond Fund™ consistent with its preservation of capital objective.

Newly added ETFs and example of role within models

Asset Class	ETF	Role
Equity	CGMM – Capital Group U.S. Small and Mid Cap ETF	Pursues long-term capital appreciation; small and mid-cap exposure
	CGNG – Capital Group New Geography Equity ETF	Pursues long-term capital appreciation; flexible, non-U.S. equity exposure
	CGGE – Capital Group Global Equity ETF	
	CGCV – Capital Group Conservative Equity ETF	Pursues diversified dividend opportunities to support income, risk-adjusted returns and potentially lower volatility
Fixed income	CGHM – Capital Group Municipal High-Income ETF	Pursues flexible, return-seeking, higher-yielding tax-exempt income to support portfolio yield and risk-adjusted returns

The resulting changes seek to leverage the tax efficiency advantages of ETFs to achieve the overall desired portfolio characteristics, including key exposures, flexibility and diversification of holdings.

Allocation updates – Tax-Aware Models

COLUMN DESIGNATIONS:



Increase in allocation



Decrease in allocation

Category	Underlying funds	Tax-Aware Moderate Growth Model		Tax-Aware Growth and Income Model		Tax-Aware Moderate Growth and Income Model		Tax-Aware Conservative Growth and Income Model		Tax-Aware Moderate Income Model		Tax-Aware Conservative Income Model	
		New allocation	Allocation change	New allocation	Allocation change	New allocation	Allocation change	New allocation	Allocation change	New allocation	Allocation change	New allocation	Allocation change
Growth	CGMM – Capital Group U.S. Small and Mid Cap ETF	10%	10%	8%	8%	5%	5%						
Growth	SMALLCAP World Fund®		-10%		-8%		-5%						
Growth	CGGR – Capital Group Growth ETF	20%	-5%	7%									
Growth	CGNG – Capital Group New Geography Equity ETF	6%	6%	3%	3%	3%	3%						
Growth	CGGO – Capital Group Global Growth Equity ETF	12%	8%	10%	5%	8%	3%						
Growth	American Funds Global Insight Fund		-5%										
Growth	CGGE – Capital Group Global Equity ETF	20%	20%	15%	15%	14%	14%	9%	9%	7%	7%		
Growth and income	CGDV – Capital Group Dividend Value ETF			12%	-3%	15%	-5%	16%		14%	-1%	6%	-3%
Growth and income	CGDG – Capital Group Dividend Growers ETF			5%	5%	7%	2%	15%	5%	7%	2%	5%	
Growth and income	CGUS – Capital Group Core Equity ETF	20%	-5%	18%	-7%	15%		5%	5%	4%	4%	3%	3%
Growth and income	Capital World Growth and Income Fund®		-20%		-20%		-15%		-15%		-10%		
Growth and income	CGCV – Capital Group Conservative Equity ETF							5%	5%	5%	5%	7%	7%
Growth and income	American Mutual Fund®								-10%		-10%		-5%
Tax-exempt fixed income	CGHM – Capital Group Municipal High-Income ETF	6%	6%	10%	10%	18%	18%	25%	25%	25%	25%	15%	15%
Tax-exempt fixed income	American High-Income Municipal Bond Fund®		-5%		-10%		-20%		-25%		-20%		-15%
Tax-exempt fixed income	CGMU – Capital Group Municipal Income ETF	6%		12%	2%	15%		21%	1%	25%		30%	5%
Tax-exempt fixed income	Limited Term Tax-Exempt Bond Fund of America®												
Tax-exempt fixed income	CGSM – Capital Group Short Duration Municipal Income ETF							4%		13%	3%	34%	9%
Tax-exempt fixed income	American Funds Short-Term Tax-Exempt Bond Fund										-5%		-16%

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