

Global balanced

Global balanced portfolios combine the strength of Capital Guardian's equity and bond portfolios and an asset allocation process that is designed to address short-term changes in the market. Balanced portfolios take advantage of our extensive research efforts in both equity and fixed income as well as our large team of investment professionals, which includes portfolio managers, economists and quantitative analysts. Capital Guardian has an established track record with this strategy, having managed balanced accounts since 1980.

Objective

This strategy seeks a balance of long-term growth of capital and income and high total return consistent with the conservation of capital, with investments in developed and emerging markets equity and fixed-income securities.

Strategy characteristics

Invests in: Global balanced

Assets in strategy: \$3.5 billion*

Strategy inception date: 1991

Minimum account size: Collective funds \$25 million
 Separately managed see note**

Benchmarks:

- 65% MSCI World Index⁴/35% Citigroup World Government Bond Index
- 60% MSCI World Index⁴/40% Citigroup World Government Bond Index
- 70% MSCI World Index⁴/30% Citigroup World Government Bond Index

*Assets in strategy represent Capital Guardian and its global institutional affiliates as of March 31, 2010.

**Please contact your relationship manager for further information.

Asset allocation team

Team averages 16 years of investment experience

- Benson Durham
- David Holstein
- Michael Sabbatini
- Darrell Spence
- Wesley Phoa

Investment process

Capital Guardian's global balanced strategy provides clients with exposure to our U.S. equity, non-U.S. large-cap, emerging markets equity, U.S. fixed-income and non-U.S. fixed-income portfolios. Our separate asset allocation process then tactically combines the portfolios in a way tailored to meet each client's needs. However, returns for the global balanced portfolio are derived from the returns achieved by the underlying portfolios.

Research and portfolio management

Our investment process is distinguished by a long-term focus, independent research and the expression of varied viewpoints through our multiple portfolio manager system. The diversity inherent in our multiple manager system creates robust investment discussions, with analysts and portfolio managers continually challenging prevailing convictions and retesting investment theses. The equity and bond strategies are managed by separate investment teams composed of portfolio managers with different investment styles and perspectives.

Asset allocation

A team of investment professionals with macroeconomic and quantitative modeling expertise determines how the portfolio's assets should be allocated to the stock and bond portfolios. Much like our process for investing in individual securities, Capital Guardian's asset allocation process benefits from extensive global research, rigorous discussion and diverse viewpoints. Each month, the group meets to discuss their views on geopolitical developments, economic data, market factors and trends in valuation that may affect the short- to medium-term outlook for stocks and bonds. The five specialists then make their asset allocations, which are combined and implemented in client portfolios.

Risk management

We have a comprehensive framework for addressing any risk. Our fundamental research process and multiple manager approach help diversify the portfolio. Capital Guardian's independent portfolio control group monitors compliance with client guidelines. Our legal and compliance team reviews operations to help make certain we adhere to regulations in the markets in which we operate. A dedicated team of specialists monitors noninvestment risks in foreign markets.

Investment results

	Q210	YTD	1 year	3 years	5 years	10 years	15 years
Global Balanced Composite ¹							
— gross ²	-7.89%	-6.51%	8.72%	-5.55%	2.76%	3.03%	7.57%
— net ³	-8.05	-6.84	7.96	-6.22	2.04	2.31	6.82
65% MSCI World Index ⁴ /35% Citigroup World Government Bond Index	-8.22	-6.65	7.99	-4.57	2.22	1.93	5.27
60% MSCI World Index ⁴ /40% Citigroup World Government Bond Index	-7.58	-6.21	7.65	-3.60	2.49	2.32	5.32
70% MSCI World Index ⁴ /30% Citigroup World Government Bond Index	-8.86	-7.10	8.33	-5.55	1.93	1.53	5.20

Asset allocation of target account

	Target	Benchmark	Range
Equity	63.00%	60.0%	45%–75%
U.S.			
U.S. large capitalization	42.50	40.0	25–55
Non-U.S.	20.50	20.0	5–35
Non-U.S. large capitalization	16.75	17.0	5–29
Emerging markets	3.75	3.0	0–6
Fixed Income	37.00%	40.0%	25%–55%
U.S.	34.50	35.0	25–45
Non-U.S.	2.50	5.0	0–10

Risk characteristics (based on monthly returns)

	Standard deviation		Information ratio		Tracking error	
	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs
Global Balanced Composite ⁵	15.98%	13.30%	-0.30	0.18	3.30%	3.03%
65% MSCI World Index ⁴ / 35% Citigroup World Government Bond Index	15.59	12.66				

All data as of June 30, 2010 unless otherwise specified.

Results are in US\$. Periods greater than one year are annualized. Results reflect the reinvestment of dividends, interest and other earnings.

¹Preliminary. Composite results are net of withholding taxes on dividends, interest and capital gains. Withholding tax rates apply primarily to U.S. institutional investors.

²Gross of management fees.

³Composite net results are calculated using the current highest management fees.

⁴MSCI World Index with net dividends reinvested. All indices are unmanaged.

⁵Gross of management fees. The analysis is based on monthly data and periods greater than one year are annualized.

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