

U.S. growth equity

Capital Guardian's U.S. growth equity portfolio draws upon the strengths of our multiple portfolio manager system and our philosophy of bottom-up investing to build a portfolio with a focus on companies that offer superior long-term total return potential, distinguished by opportunities for long-term fundamental growth. Our managers and analysts work in conjunction with our global investment teams, benefiting from information about foreign companies and worldwide trends to provide added insight for our U.S. portfolio.

Objective

Our U.S. growth equity mandate seeks to achieve long-term total returns superior to the broad market over a full market cycle through opportunities for long-term growth revenues, earnings and cash flow.

Strategy characteristics

Invests in:

- U.S. equities

Assets in strategy: \$1.6 billion*

Strategy inception date: 2000

Minimum account size:	Defined contribution	\$0**
	Collective fund	\$15 million
	Separately managed	\$50 million

Benchmark: Russell 1000 Growth Index

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

**Plan size minimum of \$250 million may apply.

Portfolio management team

Team averages 23 years of investment experience

- Todd James
- Eric Stern
- Alan Wilson

Research portfolio

U.S. growth equity at Capital Guardian

Capital Guardian began managing domestic growth equity portfolios for institutional clients in 2000. Our portfolios draw upon a deep pool of research conducted by 110 investment professionals. Capital Guardian and its global institutional affiliates manage over \$10 billion in U.S. equities as of March 31, 2010.

Investment process

Our investment process for the U.S. growth equity portfolio begins with intensive company scrutiny by industry-focused analysts. Our analysts conduct research through regular contact with senior management and line managers of companies in their coverage, as well as through probing competitors, customers, vendors and other industry participants. Each year, our analysts collectively make thousands of research visits to companies and industry contacts throughout the country.

Analysts not only make investment recommendations; they also manage money in many client portfolios. Analysts are given a portion of portfolio assets to manage within their industry expertise, allowing them to act upon their conclusions, develop practical investment experience, impact clients' results and communicate investment convictions clearly to portfolio managers. The resulting job satisfaction is one reason that so many of our analysts select research as a career; some analysts cover their industries for decades.

The U.S. equity analysts and portfolio managers work with fixed-income and macroeconomic teams as well as our extensive team of international equity investment professionals when examining potential investments. We believe interaction among investment professionals with different perspectives, backgrounds, styles and regional coverage yields an informational advantage.

Every new idea is sponsored by an analyst or portfolio manager and discussed and debated among the entire U.S. investment group, which surfaces bull and bear arguments and increases the likelihood of identifying and considering all of the key issues that might affect the investment. We manage risk through deep knowledge of companies and industries, intensive debate and due diligence, individual accountability in selecting stocks and managing portfolios, and the natural diversification of multiple portfolio managers and analysts constructing each portfolio.

Holdings in the U.S. growth portfolio must offer reasonably high forecasted growth of revenues, earnings per share, or cash flow, with some flexibility for unusually weak macro conditions. The portfolio is reviewed regularly to ensure that all holdings meet this criterion. Capital Guardian's independent portfolio control group helps monitor compliance with internal and client guidelines, and the investment committee oversees the portfolio control group, votes proxies and sets broad investment policy.

Investment results

	Q210	1 year	3 years	5 years	10 years
U.S. Growth Equity Composite					
— gross ¹	-14.47%	8.32%	-10.17%	-1.38%	-4.68
— net ²	-14.58	7.79	-10.62	-1.87	-5.16
Russell 1000 Growth Index ³	-11.75	13.62	-6.91	0.38	-5.14

Portfolio composition

	Portfolio ⁴	Index ³
Sector exposure		
Energy	7.5%	10.1%
Materials	6.2	4.6
Industrials	7.4	13.0
Consumer discretionary	13.8	14.2
Consumer staples	9.8	10.0
Health care	14.5	11.0
Financials	5.8	4.6
Information technology	26.2	31.6
Telecom services	2.4	0.8
Utilities	-	0.1

	% of portfolio ⁴
Top five holdings	
Apple	3.4
Cerner	3.4
Google	3.3
PepsiCo	3.2
Target	2.9

	%
Turnover (1 year)	40.1

Risk characteristics (based on monthly returns)

	Standard deviation		Information ratio		Tracking error	
	3 yrs	5 yrs	3 yrs	5 yrs	3 yrs	5 yrs
U.S. Growth Equity Composite ⁵	22.69%	18.72%	-0.63%	-0.38%	5.15%	4.64%
Russell 1000 Growth Index ³	20.56	16.86				

Outlook and strategy

- To date, the U.S. economic revival has been helped by pent-up demand and federal largesse. To continue to grow, consumer spending and company investments need to make up for fading government stimulus. As this transition occurs, a period of more moderate growth is likely. This is normal for an economic recovery after the initial rebound and, in our view, does not foreshadow a double-dip recession as some observers fear. Despite lingering unemployment and heavy consumer debt loads, incomes are rising, leading to improvements in spending. Corporations are in even better shape, with little debt, plenty of cash, low capital costs and efficient cost structures.
- On an absolute basis, the portfolio has significant exposure to the information technology, consumer discretionary and health care sectors. These areas combined account for over half the portfolio. The largest sector exposure is technology, which should benefit from an upgrade cycle. At the same time, it represents the portfolio's largest underweight position versus the benchmark, which is nearly one-third technology stocks.
- In relative terms, the portfolio emphasizes consumer discretionary and materials. Consumer discretionary companies have suffered from overly pessimistic retail sales assumptions and should benefit as income growth begins to support a recovery in spending. Materials stocks should be helped by a secular increase in global demand for commodities as developing economies invest in infrastructure, expand manufacturing capabilities and encourage domestic consumption.

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

¹Preliminary. Gross of management fees.

²Preliminary. Composite net results are calculated using the current highest management fees.

³Russell 1000 Growth Index. All indices are unmanaged.

⁴Capital Guardian U.S. Growth Equity Master Fund.

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

The statements expressed herein are informed opinions, are as of the date noted, and are subject to change at any time based on market or other conditions. They reflect the view of an individual and may not reflect the view of Capital Guardian. This information is intended merely to highlight issues and not to be comprehensive or to provide advice. Permission is given for personal use only. Any reproduction, modification, distribution, transmission or republication of the information, in part or in full, is prohibited.

This information supplements or enhances required or recommended disclosure and presentation provisions of the GIPS® standards, which if not included herein, are available upon request. GIPS is a trademark owned by CFA Institute.

Securities offered through American Funds Distributors, Inc. Member FINRA/SIPC.

The Capital Group Companies

Capital International

Capital Guardian

Capital Research and Management

Capital Bank and Trust

American Funds