

Emerging markets debt (local currency)

Strategy characteristics

Benchmark: JP Morgan GBI-EM Global Diversified

Currency:

- Local currency: 50%–100%
- US\$ allocation (US\$ or other hard currency): 0%–50%
 - 0%–20% hard currency bonds
 - 0%–30% local hedged to hard currency

Invests in emerging markets debt:

- U.S. dollar-denominated bonds
- Local currency bonds
- Corporate bonds
- Sovereign debt

Assets in strategy: \$384.0 million*

Excess return estimate: 250–400 basis points^{1,2}

Tracking error estimate: 400–700 basis points^{1,2}

Source of excess return estimates:

- country allocation: 45%
- security selection: 40%
- currency exposure: 15%

Minimum account size:

Defined Contribution	\$0**
Collective fund	\$10 million
Separately managed	\$250 million

*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 22 years of investment experience

Team	Investment experience
■ Laurentius Harrer	21 years
■ Robert Neithart	22 years
■ Research portfolio	

Fixed income at Capital Guardian

We began managing fixed-income assets for institutional clients in 1973 and have over \$20 billion in fixed-income assets under management as of March 31, 2010. Our sister company, Capital Research and Management Company, manages the American Funds series of mutual funds and its fixed-income mutual fund assets total more than \$180 billion as of the same period.³

Investment process

Research is the cornerstone of Capital Guardian's investment process, which integrates macroeconomic, fixed-income and equity analysis from all regions of the globe. An emerging markets debt analyst at CGTC typically focuses on countries in a geographic area—for example, Latin America, Eastern Europe or Africa—to enhance their assessment of relative value and the characteristics of each market. The fixed-income analysts may also draw on the work of CGTC's equity research team. In addition, a 14-person strategic group is dedicated to currencies, asset allocation, quantitative research, politics and other macro issues.

The emerging markets debt investment team consists of two portfolio managers, each of whom manages a portion of the total portfolio as if it were a stand-alone entity, and three research analysts who also manage a separate segment of the portfolio. This system promotes diverse sources of return. The portfolio managers look for value in securities that feature solid or improving credit quality not yet recognized by the market and for which significant risk premiums are being paid by the issuer. Portfolio managers also work closely with CGTC's traders, who provide information about anomalies, inefficiencies and deal flow in the market in addition to executing trades.

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 fixed-income 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 non-investment risks in foreign markets.

In addition, Capital Guardian has more than 20 years' experience investing in emerging markets. We began investing in emerging markets debt in 1991, had our first dedicated emerging markets debt account in 1994, and established a global high-yield strategy that combined emerging markets and U.S. high-yield debt in 1998.

¹Gross of management fees.

²CGTC is an "active manager" that creates portfolios by selecting securities using fundamental research. The estimated excess return and tracking error numbers are based on a number of factors including our investment process, historical results and historical market conditions. We cannot provide any guarantee with respect to results or preservation of assets. The estimated excess return and tracking error above should not be considered an assurance or guarantee of the risk or return of any portfolio or impose any liability on CGTC.

³Fixed-income investment professionals provide fixed-income research across the Capital Group organization; however for securities with equity characteristics, they act solely on behalf of either the mutual funds or global institutional portfolios.

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