

U.S. high-yield fixed income

Strategy characteristics

Benchmark: Barclays Capital U.S. Corp. High-Yield Index, 2% Issuer Cap

Minimum average credit quality: B

Maximum below investment-grade bonds: 100%

Extended sector investments:

- High-yield corporate debt
- May own non-U.S. high-yield corporate debt, investment-grade corporate debt, convertible securities, high-yield preferred stock and bank loans

Assets in strategy: \$946.9 million*

Strategy inception date^{1,2}: 1999

Excess return estimate: 50–150 basis points^{1,2}

Tracking error estimate: 200–350 basis points^{1,2}

Source of excess return estimates:

- security selection: 80%
- sector allocation: 20%

Minimum account size:

Defined Contribution	\$0**
Collective fund	\$15 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.

Investment process

Research is the cornerstone of Capital's investment process, which integrates macroeconomic, fixed-income and equity analysis from all regions of the globe. Our fixed-income analysts typically specialize in one or more industries and/or industry sectors, covering the full quality spectrum from investment grade to high yield and drawing on the work of their counterparts in our equity research group. This integrated approach provides valuable information across the capital structure. In addition, a 14-person strategic group is dedicated to currencies, asset allocation, quantitative research, politics and other macro issues.

The U.S. high-yield team consists of several portfolio managers, each of whom manages a portion of the total portfolio as if it were a stand-alone entity. This system ensures the portfolio has diverse sources of return. Portfolio managers look for companies with improving credit outlooks as well as companies with good credit fundamentals that the market may be undervaluing. After an issuer has been identified, portfolio managers then determine the best risk-adjusted value in its capital structure. The research analysts as a group are also assigned a portion of the portfolio to manage, with each analyst responsible for securities within his or her industry coverage. Analysts look both at the creditworthiness and the relative value of securities within the marketplace. The portfolio managers also work closely with Capital Guardian's traders, who provide valuable information about market anomalies, inefficiencies and deal flow in addition to executing trades.

Capital Guardian's fundamental research process is our best risk control. The multiple manager system naturally creates diversification within the portfolio. In addition, our independent fixed-income control group monitors compliance with client guidelines. Our legal and compliance team reviews operations to make certain we adhere to regulations in the markets in which we operate.

Portfolio management team

Team averages 20 years of investment experience

Team	Investment experience
■ David Barclay	28 years
■ Ellen Carr	11 years

Fixed income at Capital Guardian

We began managing fixed-income assets for institutional clients in 1973 and have more than \$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 totaled more than \$180 billion as of the same period.³ We began managing high-yield bonds in 1988.⁴ CRMC began managing high-yield bonds in 1988 for retail clients and we began in 1999 for institutional clients.

Investment results

	Q210	YTD	1 year	3 years	5 years	10 years
U.S. High-Yield Fixed-Income Institutional Composite ⁵						
— gross ¹	0.13%	4.01%	24.73%	5.17%	6.50%	7.53%
— net ⁶	0.01	3.75	24.12	4.64	5.97	7.00
U.S. High-Yield Index ⁷	-0.06	4.45	26.66	6.88	7.13	7.77

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. High-Yield Fixed-Income Inst. Comp. ⁸	14.77%	11.62%	-0.49%	-0.23%	3.47%	2.75%
U.S. High-Yield Index ⁷	16.86	13.20				

Portfolio characteristics

	Effective duration	Yield-to-worst
Portfolio ⁹	3.3 yrs	8.6%
Index ⁷	4.4	9.2

Portfolio composition

	Portfolio ⁹	Index ⁷
Industry exposure		
Industrial	79.7%	79.4%
Financial institutions	11.3	12.4
Utility	8.1	8.2
Credit rating		
AAA	—	—
AA	—	—
A	1.9%	0.3%
BBB	4.5	9.0
BB	34.7	41.3
B	40.5	37.8
CCC & below	17.4	11.6

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.

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.

⁴Start date of American High-Income Trust, a U.S. mutual fund managed by Capital Group International, Inc.'s sister company, Capital Research and Management Company. First dedicated global institutional account began in 1999.

⁵Preliminary. Results are net of withholding taxes on dividends, interest and capital gains. Withholding tax rates apply primarily to U.S. institutional investors.

⁶Composite net results are calculated using the current highest management fees.

⁷U.S. High-Yield Index reflects Credit Suisse High-Yield Index, Developed Countries only through December 31, 2005 and Barclays Capital U.S. Corporate High-Yield Index, 2% Issuer Cap thereafter. All indices are unmanaged.

⁸Preliminary. Gross of management fees. The analysis is based on monthly data and periods greater than one year are annualized.

⁹CGTC U.S. High Yield Fixed-Income Portfolio.

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