



Figures are past results and are not predictive of future results. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so you may lose money.



Investing
in an
uncertain
market

Agenda

- | Setting realistic expectations
- | Three specific investment strategies
- | Customizing your portfolio
- | The value of long-term investing



Set realistic
expectations

What does history show us?

The stock market (S&P 500 Index) can move in three directions

Flat



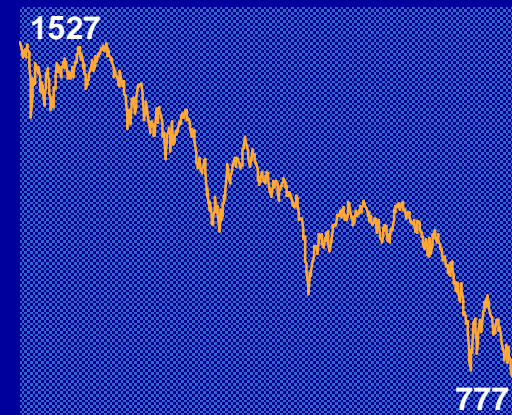
1972 – 1982

Up



1982 – 1999

Down

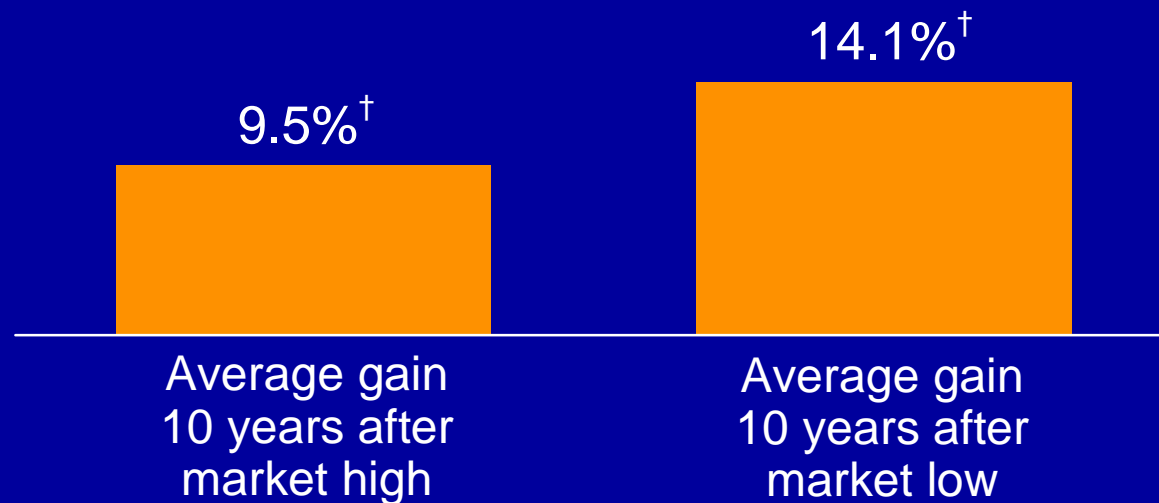


2000 – 2002

Markets have recovered

The benefits of patience

In 8 bear markets since 1955*:



*Prior to the three most recent declines, 2000–2002. A new decline is considered to have begun only after the market has recovered 50% of the value lost in the previous decline.

[†]Represents average of the annualized total returns over the 10-year periods following the eight bear markets.

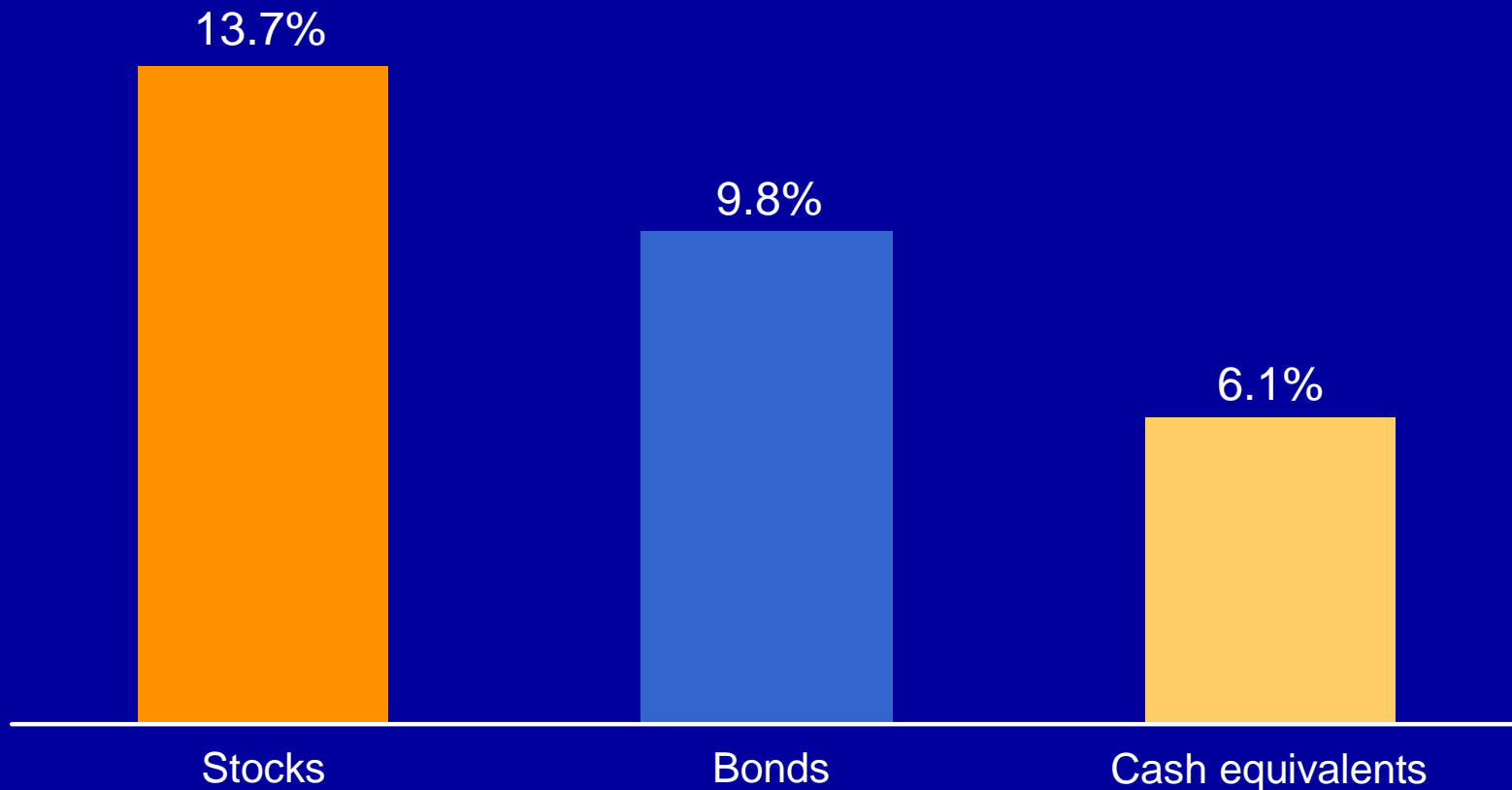
Source: the unmanaged Dow Jones Industrial Average. Results with all distributions reinvested.

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Long-term returns

Average annual total returns, 1/1/75 – 12/31/04



Sources: stocks — Standard & Poor's 500 Composite Index; bonds — Citigroup High-Grade Credit Index; cash equivalents — 30-day U.S. Treasury bills, Ibbotson Associates. Indexes are unmanaged.
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Risk-reward connection

Tolerance for volatility

High

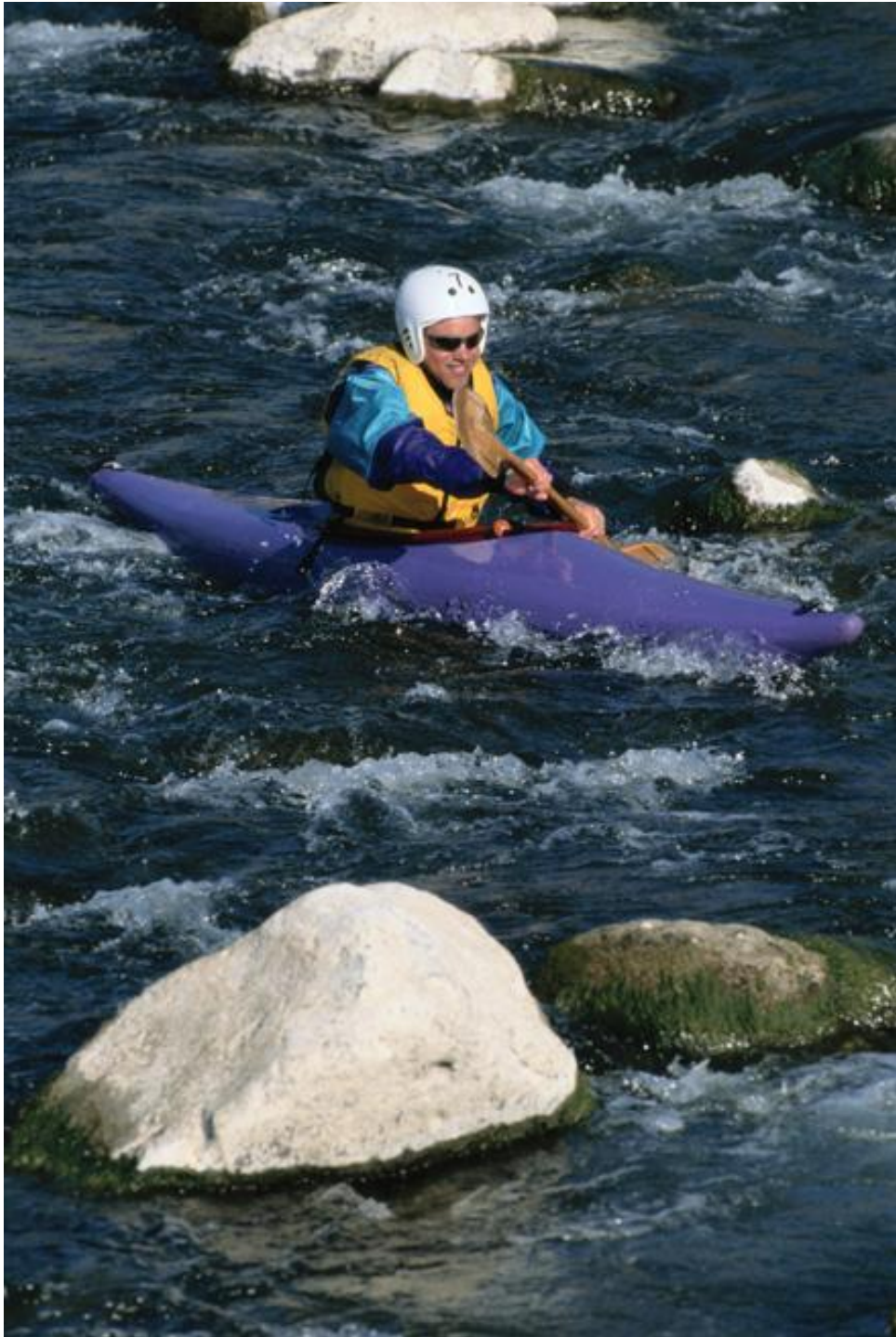
Even wide swings won't deter you from your strategy because you can look past them

Medium

Wide swings keep you from getting a good night's sleep, but some fluctuation is OK

Low

You have trouble with any downturn and want consistent returns, even if they are low



Three investment strategies

Strategies for sound investing

- | Buy and hold
- | Regular investing
- | Diversification

Stay in or miss out

\$10,000 invested for the 10 years ended 12/31/04



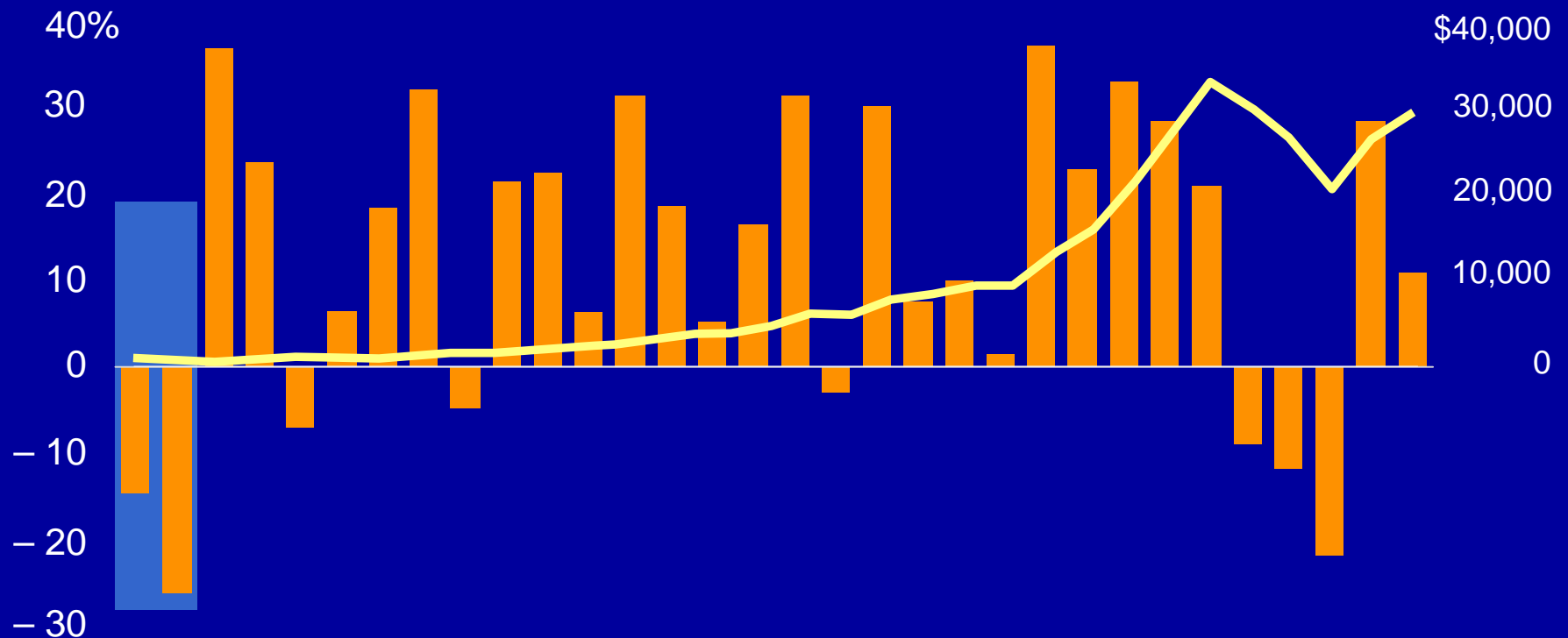
Results based on the unmanaged Standard and Poor's 500 Composite Index, with dividends taken in cash.
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What's your perspective?

Focus on the long term, not the bumps along the way

- Annual returns, 1/1/73 – 12/31/04
- Annual account value, 1/1/73 – 12/31/04



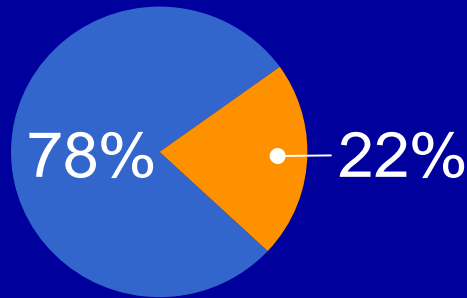
Results are based on an initial \$1,000 investment in the unmanaged Standard & Poor's 500 Composite Index, with dividends reinvested.
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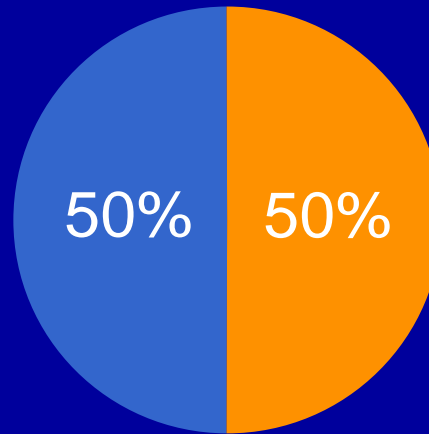
The power of compounding

\$200 per month invested in the S&P 500, 1/1/75 – 12/31/04

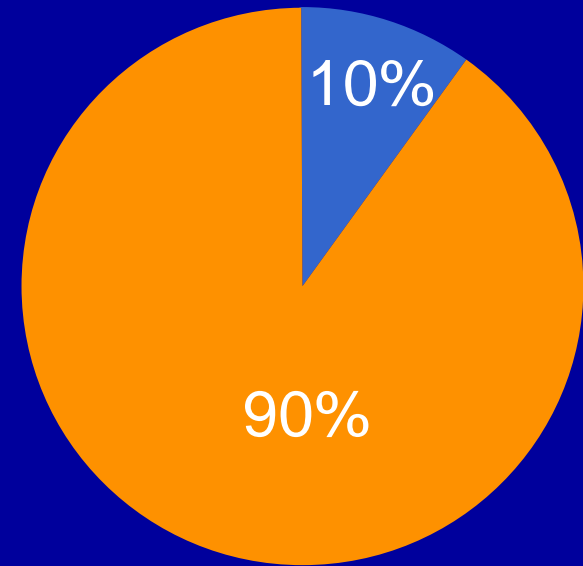
- Contribution
- Earnings



5 years
\$15,435



10 years
\$47,957



30 years
\$743,105

Results based on the unmanaged Standard & Poor's 500 Composite Index, with dividends reinvested. Cumulative earnings equals year-end account value less cumulative investment.

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Regular investing

- | Also known as dollar cost averaging
- | Gradual approach
- | Involves investing a fixed amount on a regular schedule

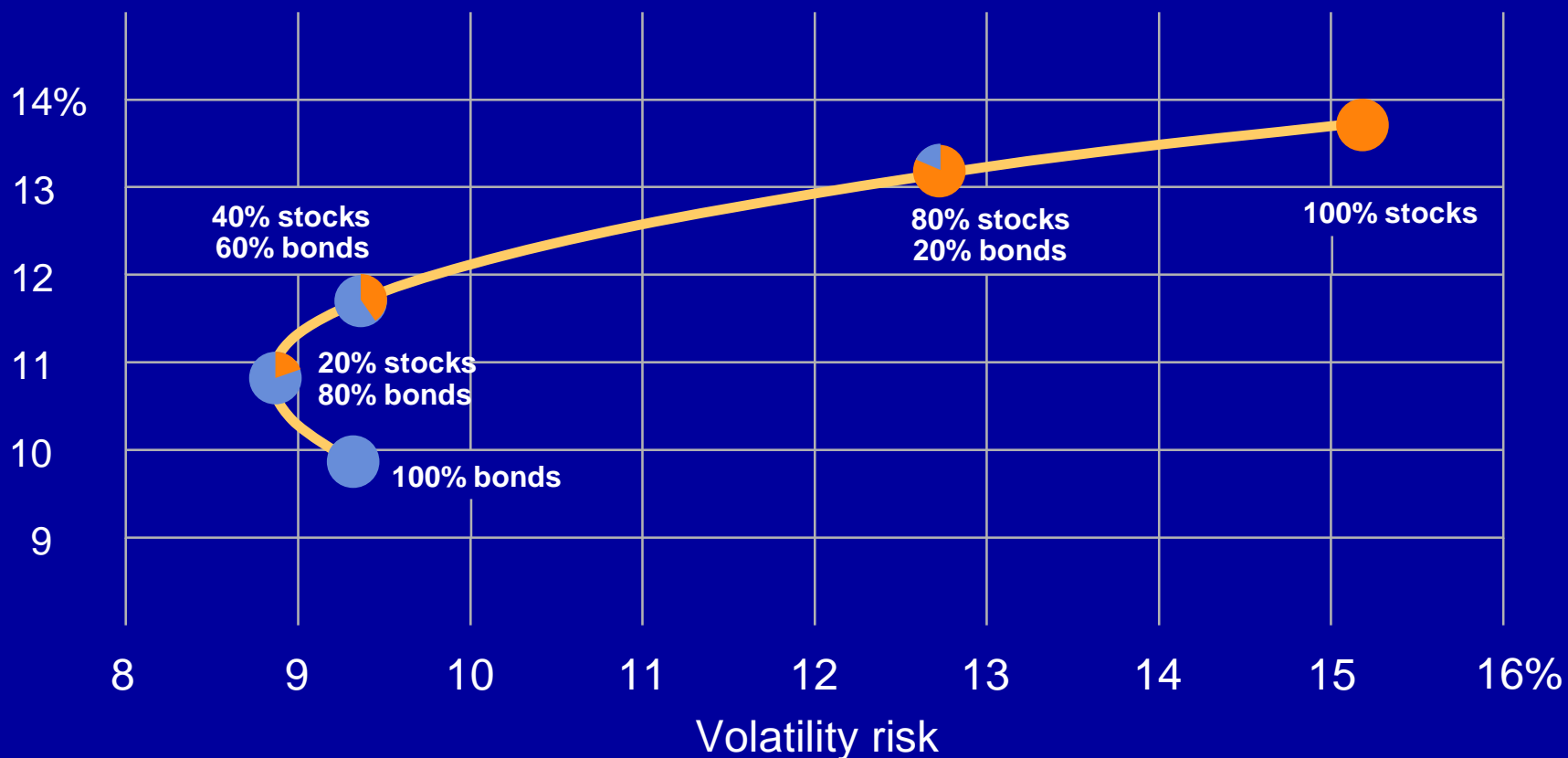
Benefits of regular investing

- | Encourages discipline
- | Offers a systematic approach
- | Keeps you investing through down markets
- | Eases anxiety about daily market fluctuations

Diversification: the risk-return relationship

Average annual total returns, 1/1/75 – 12/31/04

Return



Sources: stocks — Standard & Poor's 500 Composite Index; bonds — Citigroup High-Grade Corporate Bond Index. Data from Ibbotson Associates. Indexes are unmanaged.

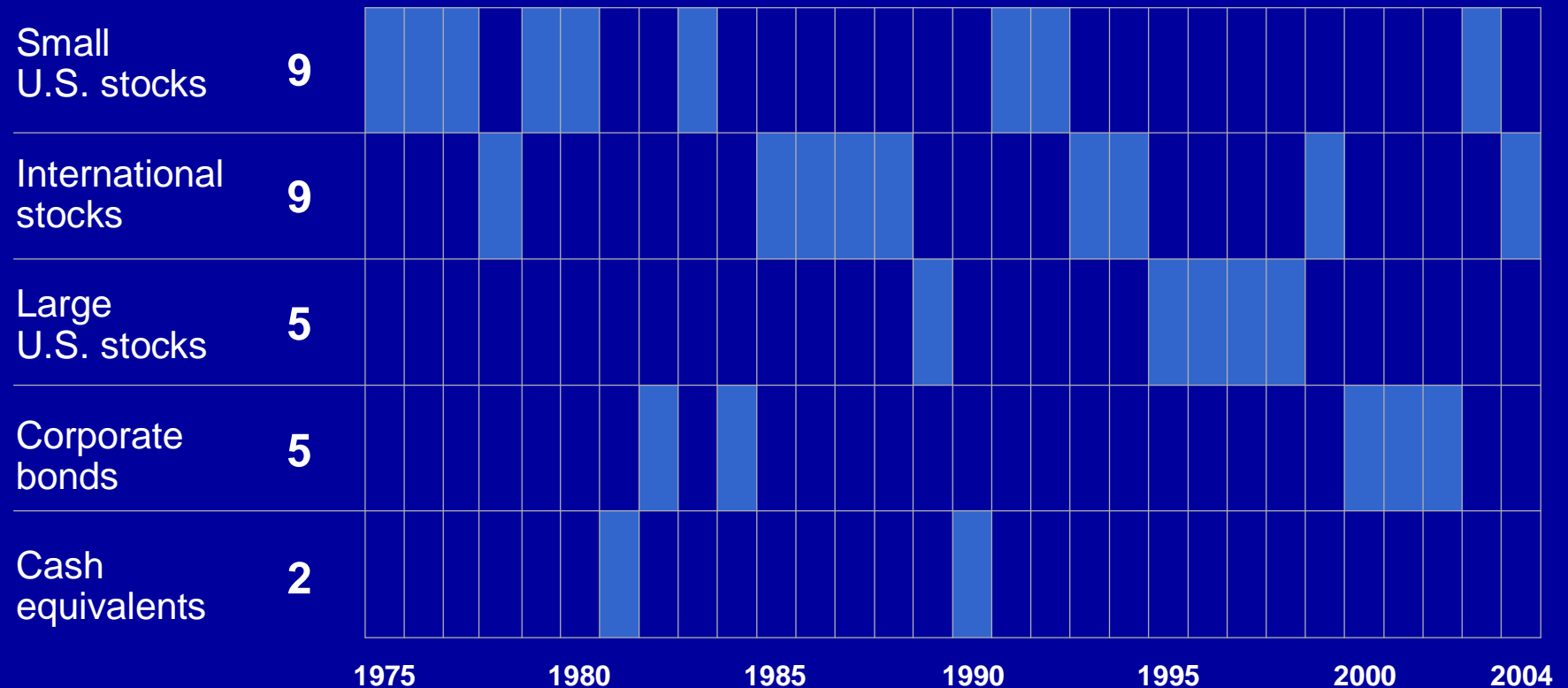
Volatility risk calculated using standard deviation, a measure of how returns over time have varied from the mean; a lower number signifies lower volatility.

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Diversification: the mix matters

Number of times each investment was best, 1975–2004



Sources: small U.S. stocks — Ibbotson prior to 1979 and Russell 2000 Index since then; international stocks — MSCI EAFE[®] (Europe, Australasia, Far East) Index; large U.S. stocks — Standard & Poor's 500 Composite Index; corporate bonds — Citigroup Long-Term High-Grade Credit Index; cash equivalents — 30-day U.S. Treasury bills, Ibbotson Associates. Indexes are unmanaged.

Based on calendar years.

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Customize
your
portfolio

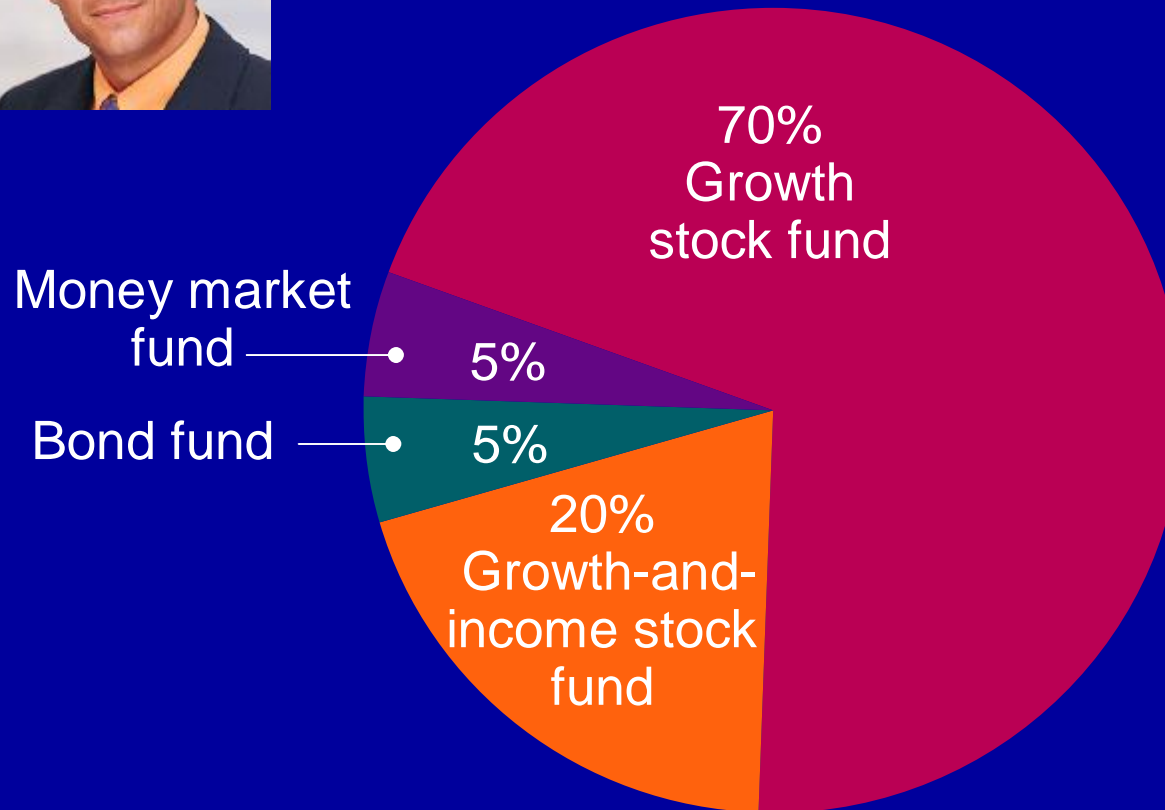
High-growth portfolio



Doug
38 years old



Janet
23 years old



These investment mixes are intended as a guide, not as specific advice for you. When you are considering your personal circumstances, consult a professional financial adviser.

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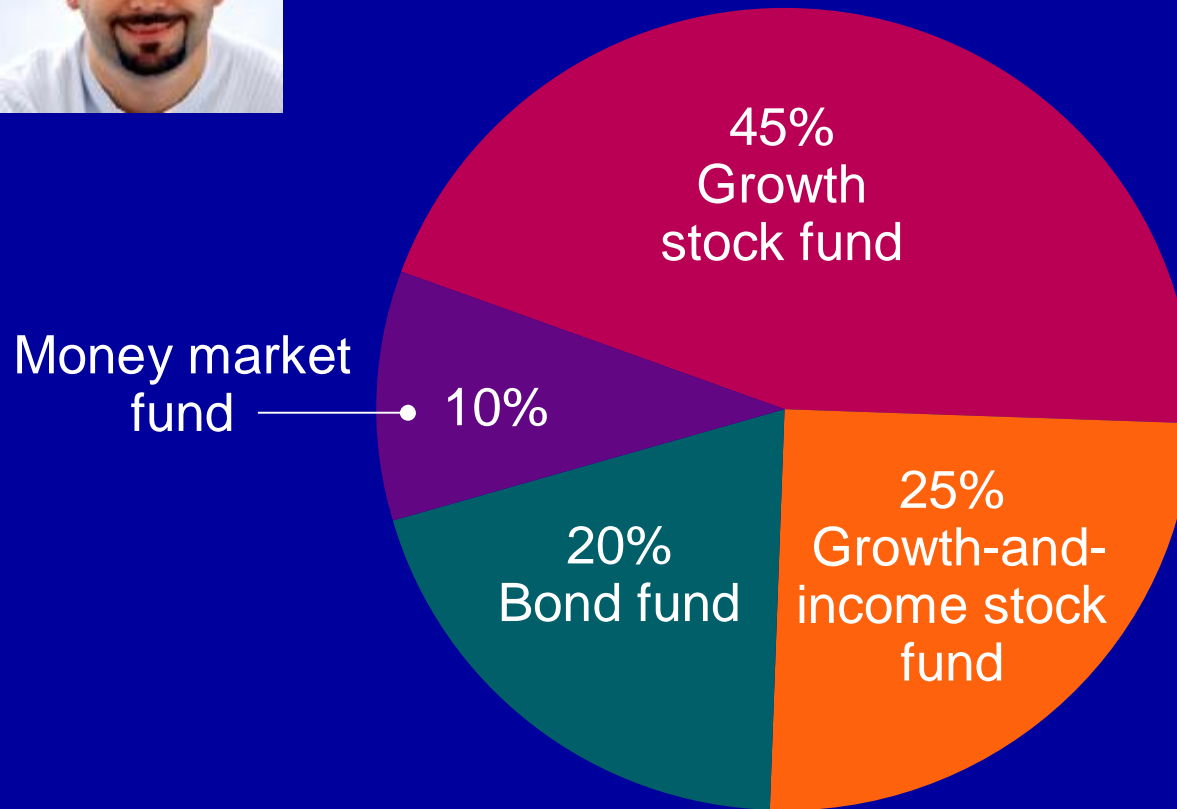
Moderate-growth portfolio



Ricardo
33 years old



Lori
47 years old



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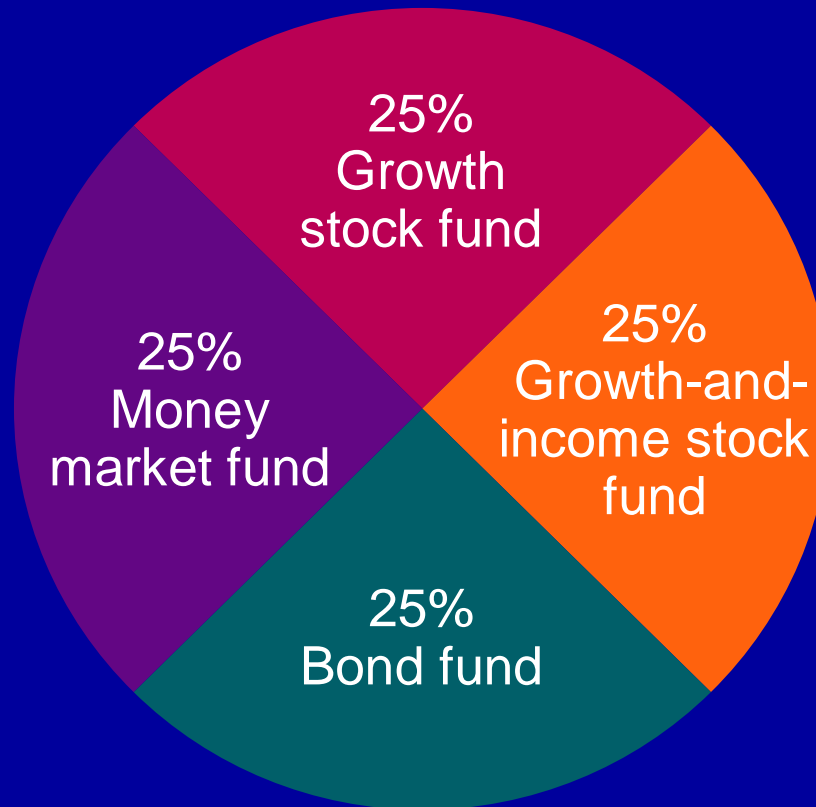
Balanced portfolio



Deborah
52 years old



Tom
60 years old



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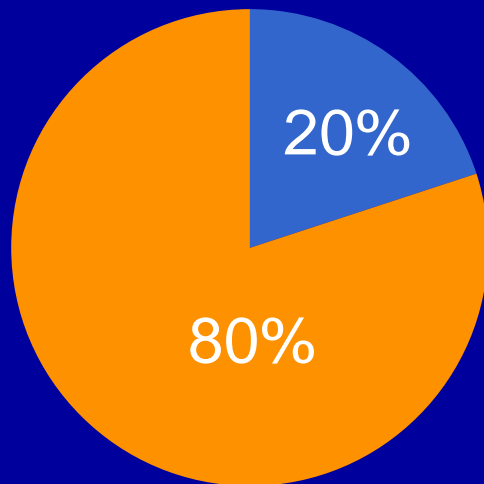


Stay the
course

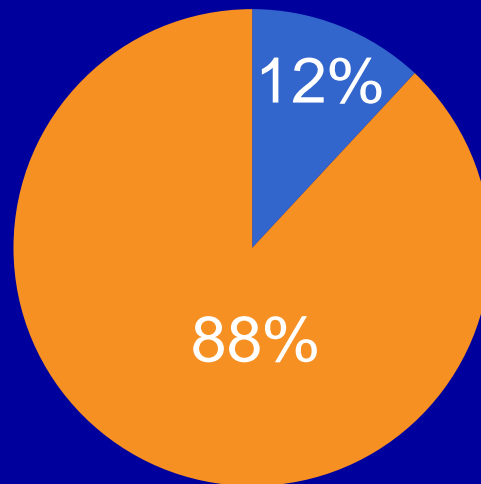
The advantage of staying the course

An investment in the S&P 500 Index, 1975 – 2004

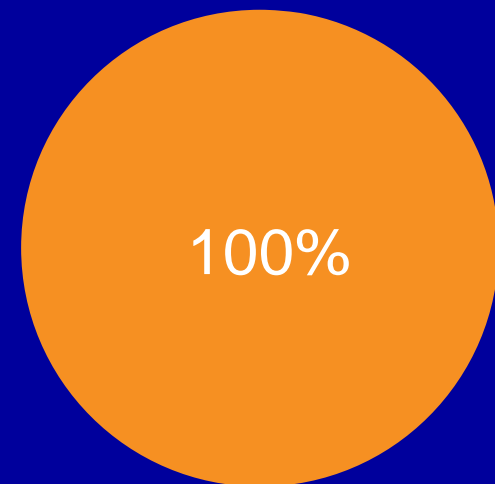
1 year



5 years



10 years



Positive

Negative

Investing in an uncertain market

- | Set realistic expectations
- | Stick to sound investment strategies
- | Customize your portfolio to suit your investment objectives
- | Invest for the long term and stay the course

What makes American Funds different?

Five factors

1. Long-term, value-oriented approach
2. Unparalleled, integrated global research effort
3. Multiple portfolio counselor system
4. Experienced investment professionals
5. Commitment to low operating expenses



Investing
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Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in the prospectus(es), which can be obtained from their financial adviser and should be read carefully before investing.

Glossary of indexes:

Citigroup High-Grade Corporate Bond Index is the corporate component of the Credit Index. It includes those issues from the Credit Index that have at least 10 years to maturity (long term) but excludes asset-backed securities and non-U.S. sovereign/provincial issues.

Citigroup High-Grade Credit Index (also known as Citigroup Long-Term High-Grade Credit Index) includes those issues from the Credit Index that have at least 10 years to maturity (long term) and a minimum credit rating of AA-/Aa3.

Dow Jones Industrial Average is a price-weighted average of 30 actively traded industrial and service-oriented blue chip stocks.

MSCI EAFE[®] (Europe, Australasia, Far East) measures all major stock markets outside North America.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Standard & Poor's 500 Composite Index is a market-capitalization-weighted index based on the average weighted performance of 500 widely held common stocks.

All indexes are unmanaged.

The return of principal in bond funds, as well as in funds with significant bond holdings, is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund(s).

Unlike fund shares, investments in T-bills, if held to maturity, offer a guarantee of principal and interest. These securities are guaranteed by the full faith and credit of the U.S. government.

Regular investing neither ensures a profit nor protects against loss in a declining market.

Investing outside the U.S. (especially in developing countries) entails additional risks, such as currency fluctuations, as more fully described in the prospectus.

Investing in smaller companies entails additional risks, as more fully described in the prospectus.

Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.



American Funds[®]

The right choice for the long term[®]