How do you define **retirement plan success?**

Start with why

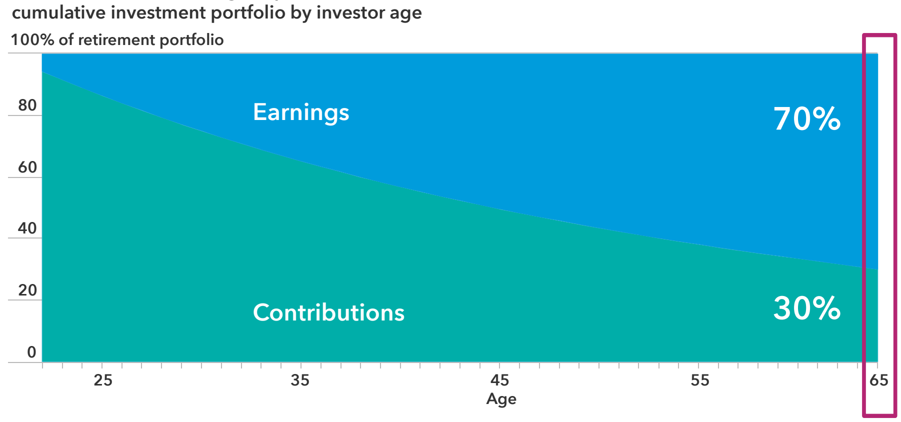
Improving Participant Outcomes

3

Building retirement savings

The long-term objective should be to realize more growth from earnings

Contributions and earnings as percent of cumulative investment portfolio by investor age



Hypothetical example for illustrative purposes only and in no way represents the actual results of a specific investment.
Source: CBS MoneyWatch, Charles Farrell.

Why it matters

Even a small increase in returns can dramatically improve outcomes

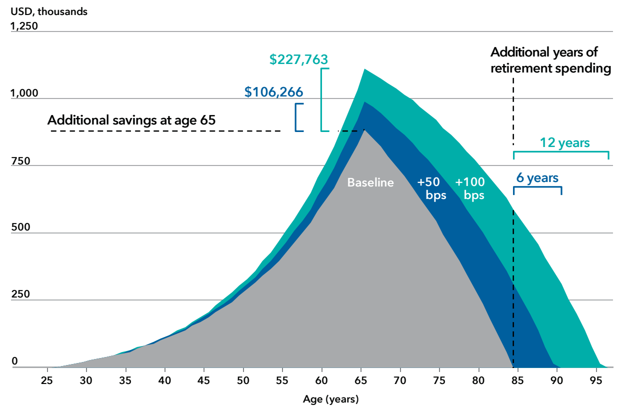
Demographic Assumptions

Starting Balance	$0
Starting Age	25
Starting Salary	$40,000
Annual Salary Growth Rate	3%
Annual Contribution Rate	10%
Retirement Age	65
Ending Salary at 65	$130,482

Scenario Assumptions

	Baseline	+50 bps	+100 bps
Returns Before 65	5.5%	6.0%	6.5%
Returns After 65	4.0%	4.5%	5.0%
Account Balance at 65	$886,415	$992,680	$1,114,177
Withdrawal (Percent of Ending Salary)	50%	50%	50%
Annual Withdrawal Amount	$65,241	$65,241	$65,241

Impact of 50 bps and 100 bps Increases in Return in a Hypothetical Savings and Withdrawal Scenario



Source: Capital Group. The demographic assumptions, returns and ending balances are hypothetical and provided for illustrative purposes only, and are not intended to provide any assurance or promise of actual returns and outcomes. Returns will be affected by the management of the investments and any adjustments to the assumed contribution rates, salary or other participant demographic information. Actual results may be higher or lower than those shown. Past results are not predictive of results in future periods. Based on an exhibit from Russell Investments.

The flight **to passive**

Addressing the elephant in the room

Why?

1. **Cheapest is best.**
2. **Low-cost passive is safer.**

False!

1. **The right investment isn't necessarily the one with the lowest cost.**
2. **Passive investments aren't necessarily safer than an active fund.**

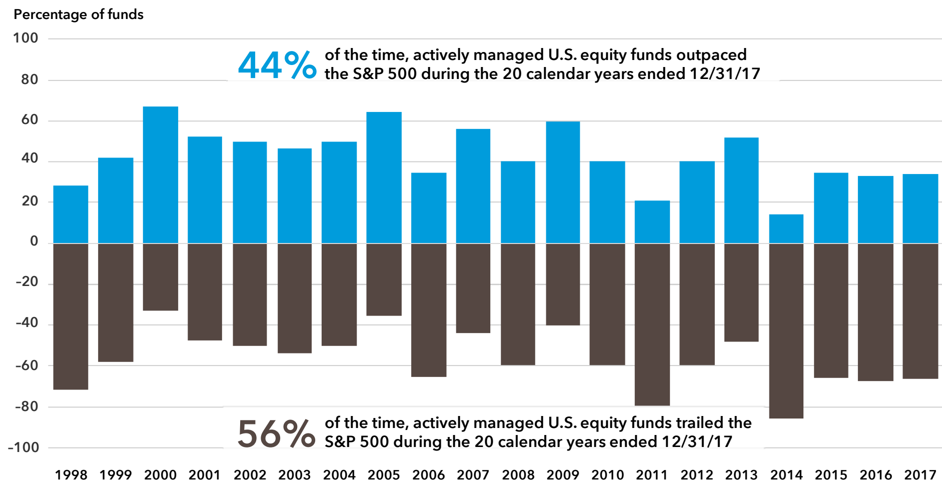
"'An unfortunate misconception' exists among defined contribution (DC) plan fiduciaries that low cost is equivalent to low risk from either a market or fiduciary perspective."

Source: Jessica Sclafani, associate director, Cerulli, in PLANSPONSOR magazine, October 2, 2015.

Addressing the elephant in the room

"The average U.S. equity manager can't beat the index"

This is true, but it isn't the whole story



Data from Morningstar. Based on calendar-year returns of actively managed funds in the Morningstar Large Value, Large Blend and Large Growth categories.
For more information about filtering methodology, see methodology slide at the end of this presentation.

How should fiduciaries evaluate investments to
help create a greater likelihood of success?

Addressing the elephant in the room

Key factors driving equity results

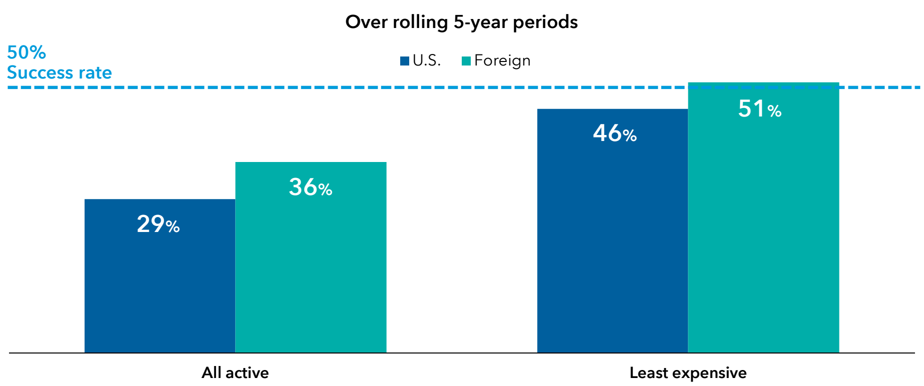
Low Expense Discipline

Portfolio Manager Ownership:
Skin in the Game

Downside
Protection

Key factors driving equity results

Percentage of rolling periods in which large-cap funds outpaced indexes, net of fees

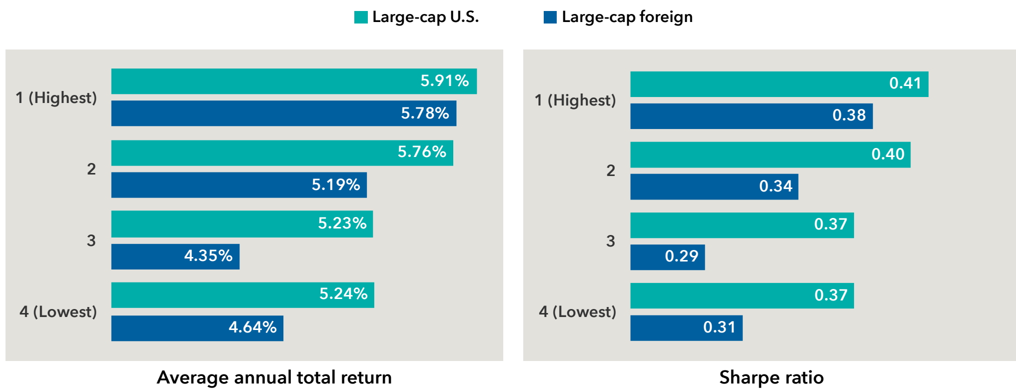


Source: Capital Group, based on Morningstar data. Based on monthly returns (1997 through 2017). U.S. funds are those in the Morningstar Large Value, Large Blend and Large Growth categories. U.S. index is S&P 500. International funds are those in the Morningstar Foreign Large Value, Foreign Large Blend and Foreign Large Growth categories. International index is MSCI ACWI ex USA. The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. All distributions are reinvested. Please see slides 37-40 for methodology

Addressing the elephant in the room

Key factors driving equity results

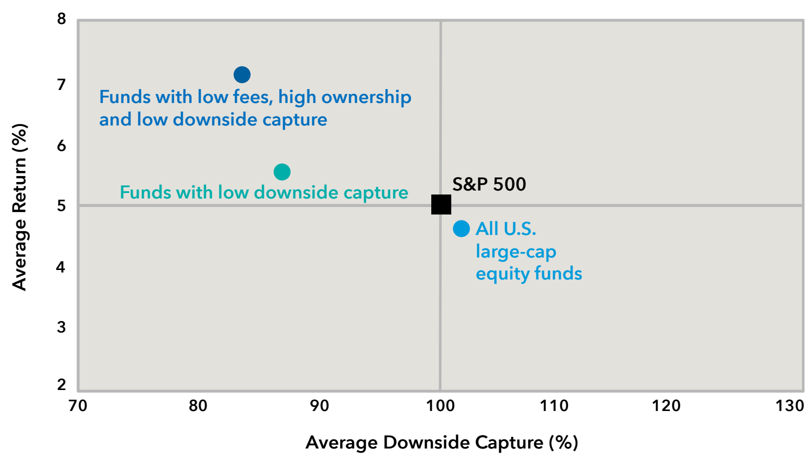
Portfolio manager ownership: Skin in the game



Source: Morningstar monthly average five-year rolling returns and portfolio manager fund ownership data (1997-2017). Please see Asset-Weighted Methodology on slides 37-40 for how this exhibit was calculated. Past results are not predictive of results in future periods.

Key factors driving equity results

Downside protection for U.S. large-cap equity funds



Based on data for rolling five-year periods for the 21 years ended December 31, 2016. Please see slides 37-40 for methodology.

Wrap Up

1 | Challenge conventional wisdom

2 | Put the facts on trial

3 | Focus on outcomes

4 | Let us help

Thank you