

American Funds® Active-Passive  
Model Portfolios with Vanguard  
at Morgan Stanley

A photograph of a man and a woman in an office setting. The man, with dark curly hair and a beard, is wearing a blue shirt and is pointing at a tablet held by the woman. The woman, with dark hair, is wearing a green shirt and is smiling as she looks at the tablet. They are standing in front of a white shelving unit filled with books and papers. The image is framed by a teal border.

Designed to offer investors  
the best of both approaches

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.  
Model portfolios are only available through registered investment advisers. This content is intended for registered investment advisers and their clients.

# Tap into the strength of Capital Group and Vanguard

Capital Group's strong belief in the power of active management is now combined with the low cost of passive strategies to bring investors models that can offer the benefits of both approaches. With Capital Group as strategist providing ongoing portfolio monitoring and fund selection, these active-passive models leverage the best thinking of our Custom Solutions Committee to combine the American Funds' potential for excess return and lower downside capture with the low costs and broad exposure of Vanguard's passive investments.

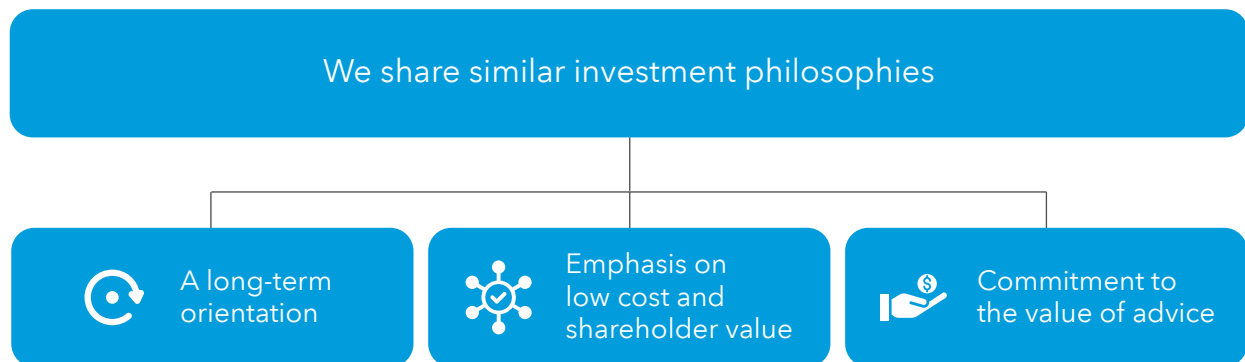
## Two leading investment managers bring together their best thinking aligned with investor goals

### The Capital Advantage®

**Capital Group** is the largest multi-asset manager in the U.S.<sup>1</sup> Deep fundamental research is the backbone of the firm and essential to delivering superior results to investors over decades, not quarters.

### An indexing pioneer

**Vanguard** is an indexing leader. The firm has spent more than 45 years refining and investing in its indexing methodology to provide the tightest tracking at the lowest cost possible.



Sources: Capital Group, Vanguard.

Capital Group and Vanguard are partnering to provide these strategies through Morgan Stanley. The three firms are otherwise not associated.

<sup>1</sup>As of 12/31/22. Largest multi-asset manager calculated by Capital Group is based on data (total net assets of U.S. open-end mutual funds in all U.S. Fund Allocation categories, excluding funds of funds) from Morningstar.

<sup>2</sup>As of 6/30/23.

<sup>3</sup>Source: Morningstar, "The Thrilling 31: A List of Great Funds" by Russel Kinnel, October 2022. Morningstar's screening took into consideration expense ratios, manager ownership, returns over manager's tenure, and Morningstar Risk, Analyst and Parent ratings. The universe was limited to share classes accessible to individual investors with a minimum investment no greater than \$50,000 and did not include funds of funds. Class A shares were evaluated for American Funds. Not all seven funds are included in each of the models. Visit [morningstar.com](https://www.morningstar.com) for more details.

<sup>4</sup>As of 1/31/23.

# How American Funds and Vanguard ETFs work together to help investors



## Active investing

American Funds' flexible approach seeks to capitalize on markets in constant motion to deliver above-average risk-adjusted results over the long term.

## Excess return

American Funds seek to provide higher returns than their benchmarks, at lower risk.



## Passive complement

Together with American Funds mutual funds, select Vanguard exchange-traded funds (ETFs) seek to increase investors' broad exposure, cost effectiveness and tax efficiency.<sup>1</sup>

## Tight index tracking

Vanguard ETFs aim to tightly track their indices.

## Low cost

Both the American Funds and Vanguard ETFs offer lower-than-average expense ratios versus their industry peers.<sup>2</sup>



## The combined solution

In one single solution, investors have access to objective-based strategies that align with real-life goals – at low costs and with the potential to outpace markets.

## Portfolio features at Morgan Stanley



### Program availability

Managed Advisory  
Portfolio Solutions (MAPS)



### Delivered through

Select UMA



### Investment guidelines

GIMA reviewed  
and approved<sup>3</sup>



### Minimum investment<sup>4</sup>

\$10,000

Sources: Capital Group, Vanguard and Morningstar.

<sup>1</sup>Refer to glossary for more information.

<sup>2</sup>Based on F-2 share class as of 12/31/22, the American Funds in the active-passive model portfolios feature lower expense ratios than their Morningstar peer categories. The expense ratios are as of each fund's prospectus available at the time of publication. Refer to page 8 for more information. As of 12/31/22, Vanguard average ETF expense ratio is 0.08% and industry average expense ratio is 0.47%. All averages are asset-weighted.

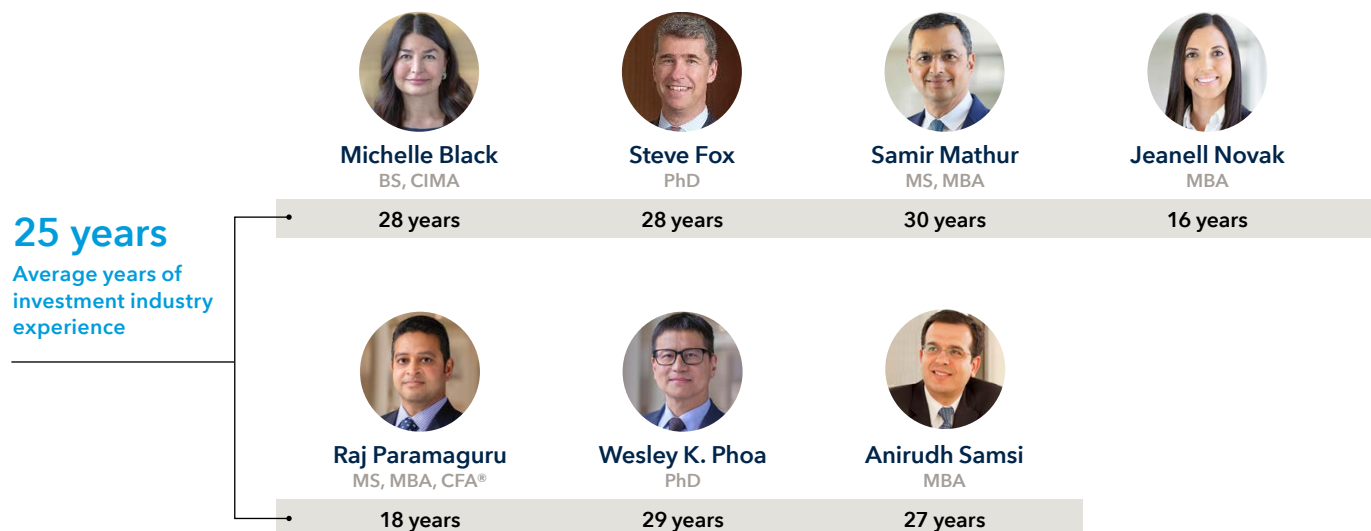
<sup>3</sup>Global Investment Manager Analysis (GIMA) evaluates investments in applicable advisory programs at Morgan Stanley.

<sup>4</sup>All MAPS products previously with minimums above \$10,000 were available for \$10,000 for new accounts starting 1/23/23. All other accounts will be available for the new \$10,000 minimum upon further notice.

# A team of experienced investment professionals

The American Funds Active-Passive Model Portfolios with Vanguard represent our team's best thinking on constructing portfolios by blending active and passive strategies. The portfolios offer rigorously researched and analyzed fund mixes regularly monitored to ensure that they remain aligned with their objectives through varying market and economic conditions.

## Custom Solutions Committee (CSC)\*



## Investor outcomes are at the center of our investment process

### Investor-objective-focused

Our goal-based models add diversification by bringing together the key strengths of Capital Group and Vanguard to help investors pursue their real-life goals.

### Monitoring and management

The CSC monitors results and the behavior of the underlying funds daily and quarterly and provides insight to determine rebalancing when appropriate.



### Strategic asset allocation

Viable asset allocation targets are set by leveraging historical backtesting, forward-looking simulations, and quantitative and qualitative insight.

### Investment selection

Adjusting the mix of American Funds and Vanguard ETFs to achieve the desired objective category weights, flexibility and diversification can help limit downside risk, capture upside appreciation and broaden exposure.

\*Years of investment industry experience as of 12/31/22.

# American Funds Active-Passive Model Portfolios with Vanguard

Asset and underlying fund allocation as of September 30, 2023

MAPS product code				
AFV-H	AFV-G	AFV-F	AFV-E	AFV-D
Moderate Growth	Moderate Growth & Income	Conservative Growth & Income	Conservative Income & Growth	Conservative Income
Asset allocation (%) ● U.S. equities ● Non-U.S. equities ● U.S. bonds ● Non-U.S. bonds ● Cash & equivalents				
Total equity/total fixed income (%)				
80/16	66/31	50/47	35/62	21/77
Underlying fund allocation (F-2/IOV ticker) ● Growth ● Growth and income ● Equity income ● Balanced ● Bond ● ETF				
<ul style="list-style-type: none"> <li>New Perspective Fund® (ANWFX) 10%</li> <li>The Growth Fund of America® (GFFFX) 5%</li> <li>SMALLCAP World Fund® (SMCFX) 5%</li> <li>The New Economy Fund® (NEFFX) 4%</li> <li>New World Fund® (NFFFX) 4%</li> <li>Capital World Growth and Income Fund® (WGIFX) 5%</li> <li>Fundamental Investors® (FINFX) 5%</li> <li>The Investment Company of America® (ICAFX) 5%</li> <li>American Balanced Fund® (AMBFX) 10%</li> <li>American Funds Global Balanced Fund (GBLFX) 10%</li> <li>American Funds Strategic Bond Fund (ANBFX) 5%</li> <li>Vanguard Total Stock Market ETF (VTI) 15%</li> <li>Vanguard S&amp;P 500 ETF (VOO) 8%</li> <li>Vanguard Total Bond Market ETF (BND) 5%</li> <li>Vanguard FTSE Developed Markets ETF (VEA) 4%</li> </ul>	<ul style="list-style-type: none"> <li>New Perspective Fund (ANWFX) 8%</li> <li>The New Economy Fund (NEFFX) 3%</li> <li>New World Fund (NFFFX) 3%</li> <li>SMALLCAP World Fund (SMCFX) 2%</li> <li>Fundamental Investors (FINFX) 7%</li> <li>Capital World Growth and Income Fund (WGIFX) 5%</li> <li>The Investment Company of America (ICAFX) 5%</li> <li>American Balanced Fund (AMBFX) 15%</li> <li>American Funds Global Balanced Fund (GBLFX) 5%</li> <li>The Bond Fund of America® (ABNFX) 10%</li> <li>American Funds Strategic Bond Fund (ANBFX) 5%</li> <li>Vanguard Total Stock Market ETF (VTI) 11%</li> <li>Vanguard Total Bond Market ETF (BND) 10%</li> <li>Vanguard S&amp;P 500 ETF (VOO) 8%</li> <li>Vanguard FTSE Developed Markets ETF (VEA) 3%</li> </ul>	<ul style="list-style-type: none"> <li>AMCAP Fund® (AMCFX) 4%</li> <li>New World Fund (NFFFX) 2%</li> <li>Capital World Growth and Income Fund (WGIFX) 5%</li> <li>The Investment Company of America (ICAFX) 5%</li> <li>Washington Mutual Investors Fund (WMFFX) 5%</li> <li>American Balanced Fund (AMBFX) 15%</li> <li>American Funds Global Balanced Fund (GBLFX) 10%</li> <li>The Bond Fund of America (ABNFX) 10%</li> <li>American Funds Multi-Sector Income Fund (MIAYX) 7%</li> <li>American Funds Strategic Bond Fund (ANBFX) 5%</li> <li>Vanguard Total Bond Market ETF (BND) 17%</li> <li>Vanguard Total Stock Market ETF (VTI) 6%</li> <li>Vanguard FTSE Developed Markets ETF (VEA) 5%</li> <li>Vanguard S&amp;P 500 ETF (VOO) 4%</li> </ul>	<ul style="list-style-type: none"> <li>American Mutual Fund® (AMRFX) 5%</li> <li>Washington Mutual Investors Fund (WMFFX) 5%</li> <li>Capital World Growth and Income Fund (WGIFX) 3%</li> <li>The Income Fund of America® (AMEFX) 5%</li> <li>American Balanced Fund (AMBFX) 15%</li> <li>American Funds Global Balanced Fund (GBLFX) 5%</li> <li>American Funds Strategic Bond Fund (ANBFX) 10%</li> <li>The Bond Fund of America (ABNFX) 10%</li> <li>American Funds Multi-Sector Income Fund (MIAYX) 5%</li> <li>Capital World Bond Fund® (BFWFX) 5%</li> <li>Vanguard Total Bond Market ETF (BND) 25%</li> <li>Vanguard Total Stock Market ETF (VTI) 4%</li> <li>Vanguard Total International Stock Index Fund ETF (VXUS) 3%</li> </ul>	<ul style="list-style-type: none"> <li>American Mutual Fund (AMRFX) 5%</li> <li>The Income Fund of America (AMEFX) 10%</li> <li>American Balanced Fund (AMBFX) 15%</li> <li>The Bond Fund of America (ABNFX) 12%</li> <li>American Funds Strategic Bond Fund (ANBFX) 10%</li> <li>Intermediate Bond Fund of America® (IBAFX) 8%</li> <li>Short-Term Bond Fund of America® (SBFFX) 5%</li> <li>American Funds Multi-Sector Income Fund (MIAYX) 3%</li> <li>Vanguard Total Bond Market ETF (BND) 22%</li> <li>Vanguard Short-Term Inflation-Protected Securities ETF (VTIP) 5%</li> <li>Vanguard Total International Bond ETF (BNDX) 5%</li> </ul>
Active/passive (%)				
68/32	68/32	68/32	68/32	68/32
Weighted average expense ratio (%)				
0.35	0.31	0.31	0.30	0.27
Suggested Client Risk Tolerance category*				
4, 5	3, 4, 5	2, 3, 4, 5	1, 2, 3, 4	1, 2, 3

Sources: Capital Group, Morningstar and Morgan Stanley.

Expense ratio for the model is the weighted average of the underlying mutual funds' and exchange-traded funds' gross expense ratios as of their most recent prospectuses. Underlying mutual funds are based on Class F-2. Expense ratios do not reflect any advisory fee charged by model providers. For asset mix, due to rounding methodology, totals may not add up to 100%.

For the American Funds, cash and equivalents includes short-term securities, accrued income and other assets less liabilities. It may also include investments in money market or similar funds managed by the investment adviser or its affiliates that are not offered to the public.

\*Refer to page 8 for more information.



# American Funds Active-Passive Model Portfolios with Vanguard

Asset and underlying fund allocation as of September 30, 2023

MAPS product code				
AFV-M	AFV-L	AFV-K	AFV-J	AFV-I
Moderate Growth Tax-Aware	Moderate Growth & Income Tax-Aware	Conservative Growth & Income Tax-Aware	Conservative Income & Growth Tax-Aware	Conservative Income Tax-Aware
<b>Asset allocation (%)</b> ● U.S. equities ● Non-U.S. equities ● U.S. bonds ● Cash & equivalents				
<b>Total equity/total fixed income (%)</b>				
83/13	67/29	50/46	33/63	19/77
<b>Underlying fund allocation (F-2/IOV ticker)</b> ● Growth ● Growth and income ● Tax-exempt bond ● ETF				
<ul style="list-style-type: none"> <li>New Perspective Fund (ANWFX) 10%</li> <li>The Growth Fund of America (GFFFX) 10%</li> <li>The New Economy Fund (NEFFX) 4%</li> <li>New World Fund (NFFFX) 4%</li> <li>SMALLCAP World Fund (SMCFX) 4%</li> <li>Fundamental Investors (FINFX) 10%</li> <li>Capital World Growth and Income Fund (WGIFX) 8%</li> <li>The Investment Company of America (ICAFX) 7%</li> <li>American High-Income Municipal Bond Fund® (AHMFX) 8%</li> <li>The Tax-Exempt Bond Fund of America® (TEAFX) 3%</li> <li>Vanguard Total Stock Market ETF (VTI) 13%</li> <li>Vanguard S&amp;P 500 ETF (VOO) 11%</li> <li>Vanguard FTSE Developed Markets ETF (VEA) 5%</li> <li>Vanguard Tax-Exempt Bond ETF (VTEB) 3%</li> </ul>	<ul style="list-style-type: none"> <li>New Perspective Fund (ANWFX) 6%</li> <li>The Growth Fund of America (GFFFX) 5%</li> <li>New World Fund (NFFFX) 4%</li> <li>The New Economy Fund (NEFFX) 3%</li> <li>SMALLCAP World Fund (SMCFX) 2%</li> <li>Capital World Growth and Income Fund (WGIFX) 8%</li> <li>The Investment Company of America (ICAFX) 6%</li> <li>Washington Mutual Investors Fund (WMFFX) 6%</li> <li>Fundamental Investors (FINFX) 5%</li> <li>American High-Income Municipal Bond Fund (AHMFX) 15%</li> <li>The Tax-Exempt Bond Fund of America (TEAFX) 8%</li> <li>Vanguard S&amp;P 500 ETF (VOO) 11%</li> <li>Vanguard Total Stock Market ETF (VTI) 10%</li> <li>Vanguard Tax-Exempt Bond ETF (VTEB) 7%</li> <li>Vanguard FTSE Developed Markets ETF (VEA) 4%</li> </ul>	<ul style="list-style-type: none"> <li>AMCAP Fund (AMCFX) 4%</li> <li>New Perspective Fund (ANWFX) 4%</li> <li>The Growth Fund of America (GFFFX) 4%</li> <li>New World Fund (NFFFX) 3%</li> <li>Capital World Growth and Income Fund (WGIFX) 8%</li> <li>The Investment Company of America (ICAFX) 6%</li> <li>Washington Mutual Investors Fund (WMFFX) 6%</li> <li>American High-Income Municipal Bond Fund (AHMFX) 13%</li> <li>The Tax-Exempt Bond Fund of America (TEAFX) 12%</li> <li>Limited Term Tax-Exempt Bond Fund of America® (LTEFX) 8%</li> <li>Vanguard Tax-Exempt Bond ETF (VTEB) 15%</li> <li>Vanguard S&amp;P 500 ETF (VOO) 7%</li> <li>Vanguard Total Stock Market ETF (VTI) 7%</li> <li>Vanguard FTSE Developed Markets ETF (VEA) 3%</li> </ul>	<ul style="list-style-type: none"> <li>AMCAP Fund (AMCFX) 4%</li> <li>American Funds Global Insight Fund (AGVGX) 3%</li> <li>New Perspective Fund (ANWFX) 3%</li> <li>Capital World Growth and Income Fund (WGIFX) 7%</li> <li>The Investment Company of America (ICAFX) 4%</li> <li>American Mutual Fund (AMRFX) 3%</li> <li>Washington Mutual Investors Fund (WMFFX) 3%</li> <li>The Tax-Exempt Bond Fund of America (TEAFX) 20%</li> <li>American High-Income Municipal Bond Fund (AHMFX) 13%</li> <li>Limited Term Tax-Exempt Bond Fund of America (LTEFX) 8%</li> <li>Vanguard Tax-Exempt Bond ETF (VTEB) 24%</li> <li>Vanguard S&amp;P 500 ETF (VOO) 4%</li> <li>Vanguard Total Stock Market ETF (VTI) 4%</li> </ul>	<ul style="list-style-type: none"> <li>American Funds Global Insight Fund (AGVGX) 4%</li> <li>American Mutual Fund (AMRFX) 5%</li> <li>The Investment Company of America (ICAFX) 4%</li> <li>Washington Mutual Investors Fund (WMFFX) 3%</li> <li>The Tax-Exempt Bond Fund of America (TEAFX) 27%</li> <li>Limited Term Tax-Exempt Bond Fund of America (LTEFX) 15%</li> <li>American High-Income Municipal Bond Fund (AHMFX) 10%</li> <li>Vanguard Tax-Exempt Bond ETF (VTEB) 28%</li> <li>Vanguard Total Stock Market ETF (VTI) 4%</li> </ul>
<b>Active/passive (%)</b>				
68/32	68/32	68/32	68/32	68/32
<b>Weighted average expense ratio (%)</b>				
0.33	0.32	0.30	0.29	0.27
<b>Suggested Client Risk Tolerance category*</b>				
4, 5	3, 4, 5	2, 3, 4, 5	1, 2, 3, 4	1, 2, 3

Sources: Capital Group, Morningstar and Morgan Stanley.

Expense ratio for the model is the weighted average of the underlying mutual funds' and exchange-traded funds' gross expense ratios as of their most recent prospectuses. Underlying mutual funds are based on Class F-2. Expense ratios do not reflect any advisory fee charged by model providers. For asset mix, due to rounding methodology, totals may not add up to 100%.

For the American Funds, cash and equivalents includes short-term securities, accrued income and other assets less liabilities. It may also include investments in money market or similar funds managed by the investment adviser or its affiliates that are not offered to the public.

\*Refer to page 8 for more information.



## How to find these strategies on WealthDesk:

Please visit: 3D > WealthDesk > Advise >  
Investment Screener > Search for "AFV"

## Glossary

**ETF tax efficiency:** ETFs' tax advantages stem from the unique way that they're structured, which allows for two main sources of tax efficiency:

- **Externalization:** ETFs trade in the secondary market, like a stock exchange, which largely insulates the funds from individual investors' trading activity. In other words, if an ETF investor decides to sell shares of an ETF, a majority of the time the transaction will occur in the secondary market, which does not involve any interaction with (or impact to) the fund. The secondary market is where most retail investors buy and sell securities. The most common examples are stock exchanges like the NYSE and NASDAQ,
- **In-kind redemptions:** When selling activity on an exchange does result in a redemption from the fund, it is usually tax-free to remaining investors. ETFs generally satisfy redemption requests in the primary market through an in-kind delivery of securities to an intermediary (rather than cash), which means client redemptions from the fund do not generally create taxable events for remaining shareholders. The primary market is the section of the capital market where new securities are issued.

It's also where authorized participants (AP) work with ETF issuers to adjust the supply of ETF shares in the market, either creating new shares or redeeming excess shares. An authorized participant is a broker-dealer that has a contracted opportunity with the ETF issuer to create and redeem shares in the primary market to meet market demand. An ETF issuer is a firm that creates, manages and operates an ETF, establishing its strategy and working with regulators and exchanges to obtain permission to offer the fund.

## Important disclosures

Model portfolios are available through Morgan Stanley Smith Barney LLC's Select UMA Investment Advisory program ("Select UMA"). The Important Information and Disclosures found at the following link are an integral part of this document and should be read carefully <https://www.morganstanley.com/wealth-disclosures/disclosures#23>. For more information on Select UMA, please click here: [http://www.morganstanley.com/wealth-investmentsolutions/pdfs/adv/uma\\_adv.pdf](http://www.morganstanley.com/wealth-investmentsolutions/pdfs/adv/uma_adv.pdf). If you are receiving this document in hard copy, the Important Information and Disclosures should be attached. If they are not, please request them from your Morgan Stanley Smith Barney LLC Financial Advisor.

**Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.** Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income. Vanguard does not, and will not, make any representations about whether a model portfolio is in the best interest of any investor, is not, and will not be, responsible for the determination of whether a model portfolio is in the best interest of any investor, and is not acting as an investment advisor to any investor. Diversification does not ensure a profit or protect against a loss. Vanguard Marketing Corporation, Distributor of the Vanguard Funds.

**Morningstar peer categories (page 3):** Morningstar peer categories represent each fund's respective Morningstar Fee Level Group – No Load category, which are as follows: High-Yield Municipal (American High-Income Municipal Bond Fund); Inflation Protected (American Funds Inflation Linked Bond Fund); Intermediate-Term Bond (American Funds Strategic Bond Fund, The Bond Fund of America); Large

Cap (AMCAP Fund, American Mutual Fund, Fundamental Investors, The Growth Fund of America, The Investment Company of America, Washington Mutual Investors Fund); Moderately Aggressive Allocation (The Income Fund of America); Moderate Allocation (American Balanced Fund); Multisector Bond (American Funds Multi-Sector Income Fund); Municipal Intermediate (The Tax-Exempt Bond Fund of America); Municipal Short (Limited Term Tax-Exempt Bond Fund of America); Short-Term Bond (Intermediate Bond Fund of America, Short-Term Bond Fund of America); World Allocation (American Funds Global Balanced Fund); World Bond (Capital World Bond Fund); World Large Stock (Capital World Growth and Income Fund, New Perspective Fund, The New Economy Fund); World Small/Mid Stock (SMALLCAP World Fund).

**Suggested Client Risk Tolerance category (pages 5 and 6):** The suggested Client Risk Tolerance category is maintained by Morgan Stanley Wealth Management and is updated daily. Capital Group | American Funds does not maintain the classifications. Refer to Morgan Stanley Wealth Management investment platforms and WealthDesk resources for the latest information on these risk categories.

**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund and ETF prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

Model portfolios are subject to the risks associated with the underlying funds in the model portfolio. Investors should carefully consider investment objectives, risks, fees and expenses of the funds in the model portfolio, which are contained in the fund prospectuses. Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks. The return of principal for bond funds and for funds with

significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional securities, such as stocks and bonds. A nondiversified fund has the ability to invest a larger percentage of assets in securities of individual issuers than a diversified fund. As a result, a single issuer could adversely affect a nondiversified fund's results more than if the fund invested a smaller percentage of assets in securities of that issuer. See the applicable prospectus for details.

Portfolios are managed, so holdings will change. Holdings are the weighted average of the underlying funds.

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