American Funds®

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ideas for investors

The perils of market timing

The biggest potential pitfall in trying to time the market is missing the days it's "up." In fact, if you had missed the stock market's 10 best days over the past decade, you would have lost nearly 5% of your original investment.

The temptation to time the market is understandable: If you were invested on days when the market went up and out of the market on "down" days, you would earn the best return possible.

However, moving in and out of the market fails to take into account the negative effect of income and capital gains taxes. Even if you could predict the market's movements, the frequent buying and selling would diminish your return.

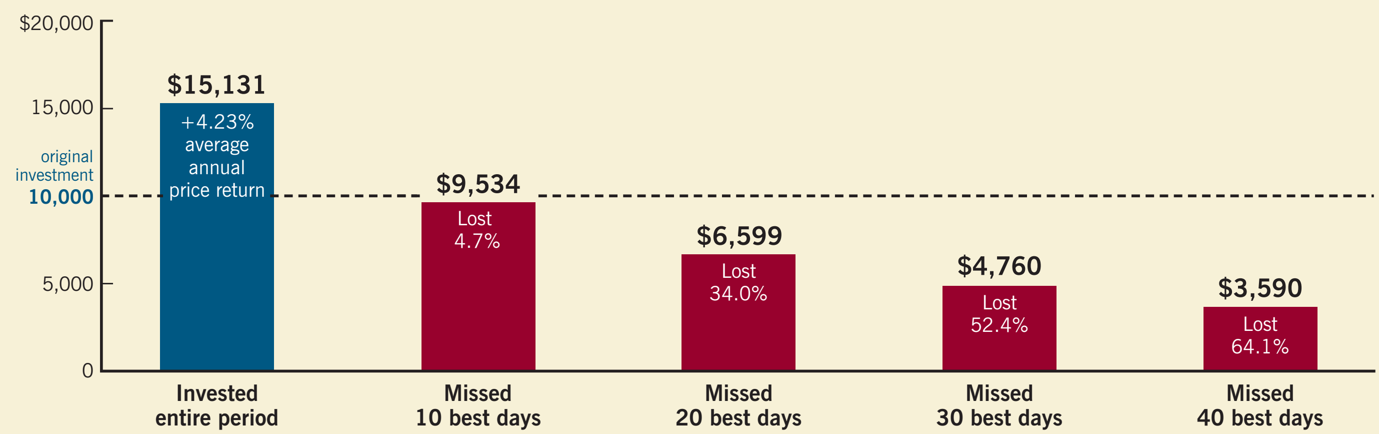
The impossible dream

Even seasoned investment professionals with years of experience are reluctant to make predictions about the stock market. There is simply no pattern or logic to the timing of the market's best days. Consider that, of the 2,514 business days during the past decade:

- none of the market's 10 best days were consecutive
- five of the 10 best days were in one year
- six of the years did not have any of the 10 best days

There's only one strategy to ensure capturing the best days: **Remain invested for the entire period.**

Value of a hypothetical $10,000 investment in the S&P 500 over 10 years (12/31/97–12/31/07)



Source: Standard & Poor's 500 Composite Index, an unmanaged measure of large-company U.S. stocks. The numbers shown above do not take into account reinvested distributions, nor do they reflect sales charges, commissions or expenses.

Past results are not predictive of results in future periods. Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in each fund's prospectus, which can be obtained from a financial professional and should be read carefully before investing. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so investors may lose money.