



# NCM Client Notification

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To our valued clients:

Most all of you are invested in at least one or more mutual funds managed by the people at American Funds. We believe that their way of managing money makes sense, and they have managed investor's money for longer than many of us have been alive. We invite you to read the following message from Jim Rothenberg that was sent out on September 26, 2008. He has 39 years of experience in the investment business, and is the Chairman of Capital Research and Management Company:

## **A message about the current market from the chairman of Capital Research and Management Company**

Dear American Funds shareholders,

During my 39 years with American Funds, I have seen many turbulent markets and know how hard it is to avoid getting caught up in the here and now. This is especially true when the media bombards us hourly with news, speculation, and rumor. I also know, though, that as long-term investors we must focus on the real world underneath the noise and mesmerizing flow of data.

That's why I think it's helpful to share a few thoughts about the current market.

Let me begin by reflecting on some other challenging moments that are seared into my memory. I remember the collapse of the Nifty Fifty in the early 1970s, the first and second oil shocks in the 1970s, the savings and loan crisis in the late 1980s, and the tech bubble that ended in March 2000.

Each of these experiences was different, but there was a common lesson in all of them. In each case, investors and our financial system survived. We will survive this moment as well.

As I look forward, I think it's important to note some of the emerging economic forces that may indicate that we are beginning to find a way out of this situation.

The outlook for inflation, oil and commodity prices is generally improving. The housing market, although still in turmoil, is behaving logically. Inventories of unsold homes are large. In response, housing permits and starts are at record lows, and home prices have fallen. With lower prices and declining mortgage rates, housing sales are starting to show signs of life, which over time will clear inventory out of the system.

On another front, our government has broken new ground in its efforts to solve the nation's financial problems, and I believe it will continue to provide needed liquidity, particularly as the specter of inflation and stagflation recedes. I'm far from being a Pollyanna and I certainly recognize the brisk headwinds and crosscurrents we face. In fact, when this turbulence settles down, I believe the pace of economic activity will be slower. In addition, investment results almost certainly will be lower than the double-digit annual returns that some investors may have come to expect during the past 15 to 20 years.

I mentioned earlier that each period of market turbulence is unique, but the same question tantalizes us: When will this end? No one can predict market turns with certainty. Perhaps the best example is offered by one of the darkest moments in our nation's history. In April 1942, we were at war and we were losing. Germany had overrun France. Our Pacific fleet had been crippled at Pearl Harbor. Inflation was rampant. Companies faced wage and price controls and excess profit taxes. In that bleak month, with no clear or compelling reason, the market simply reached the bottom of a long downturn and started to rise

again. By the end of June 1943, the Dow Jones Industrial Average had gained 54%.

The emotions of the moment always distract us from our purpose. Knowing that, I sincerely believe that staying the course is the right plan. I am convinced that over time we will get through the present financial problems, and our nation and individual investors will prosper again.

My message to our shareholders, clients, and financial advisers is the same. When the market is in turmoil, we think you turn to us not to do something different, but to do what we have always done: Pay attention to risk, rely on a thorough and global research effort, and invest for the long term.

Investing is always full of ups and downs, but over time, well-diversified portfolios managed by prudent organizations can provide the answers for the needs of many. We need the courage to stay focused, not solely on the markets, but on the research process that has been the backbone of our shareholders' success for decades.

Jim Rothenberg  
Chairman and Principal Executive Officer  
Capital Research and Management Company