

# A road to recovery

## Riding out the rough spots

Volatility has made many investors uneasy and queasy about the road ahead. During these times, focusing on your destination can help you weather the bumps along the way.

Figures shown on these pages are past results for Class A shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. Fund results shown are at net asset value with all distributions reinvested. If a sales charge had been deducted, the results would have been lower. For current information and month-end results, visit [americanfunds.com](http://americanfunds.com).

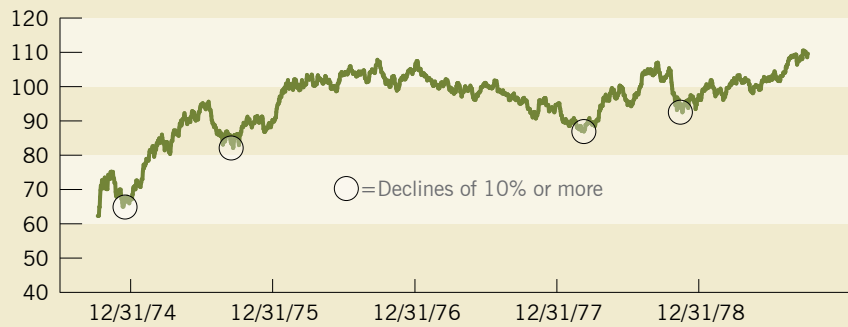
## Where the rubber meets the road

Investors expect a few bumps on the way to reaching their long-term goals. However, after a significant market decline, the road can seem unbearably rocky, and investors may be tempted to pull over and wait for smoother market conditions.

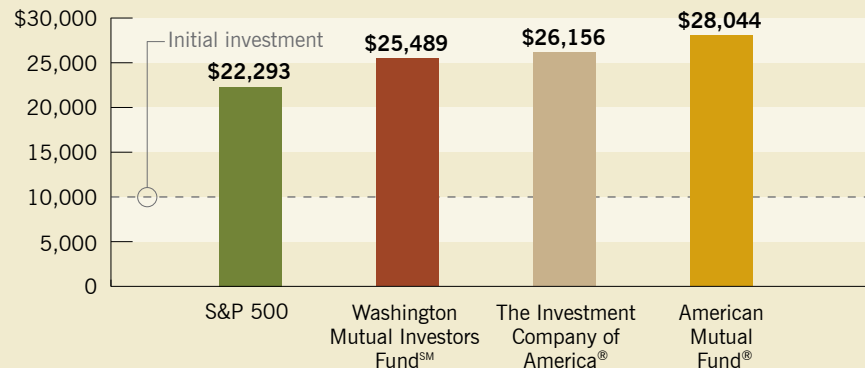
While the headlines trumpet the doom and gloom in the markets, there are signs that long-term opportunities still exist. Companies continue to offer products and services that consumers need. And, although the outlook for the market may seem volatile and unclear, history has shown that investments can grow during times of uncertainty.

For example, the charts to the right focus on the five-year period after the 44.8% decline in Standard & Poor's 500 Composite Index from January 11, 1973, to October 3, 1974. The top chart plots the S&P 500's daily value while the bottom chart shows the growth of a hypothetical \$10,000 investment in the index and the three growth-and-income American Funds in existence at that time. As you can see, investors who focused solely on the current rise and fall of the markets might have missed benefiting from the upward trend during this five-year period — especially if they cashed out of their investments.

S&P 500 daily index values (10/3/74–10/3/79)



Growth of a hypothetical \$10,000 investment (10/3/74–10/3/79)



Below are the funds' average annual total returns for Class A shares with all distributions reinvested for periods ended **June 30, 2010**, assuming payment of the **5.75%** maximum sales charge at the beginning of the stated periods:

	1 year	5 years	10 years	Expense ratio
American Mutual Fund	<b>7.67%</b>	<b>-0.38%</b>	<b>3.66%</b>	<b>0.67%</b>
The Investment Company of America	<b>3.59</b>	<b>-1.31</b>	<b>0.72</b>	<b>0.66</b>
Washington Mutual Investors Fund	<b>6.62</b>	<b>-2.32</b>	<b>1.88</b>	<b>0.70</b>

Expense ratios are as of each fund's most recent fiscal year-end. From September 1, 2004, through December 31, 2008, the investment adviser to the American Funds and the business manager for Washington Mutual Investors Fund waived a portion of their management fees. Investment results reflect the waiver, without which the results would have been lower. Please see each fund's most recent shareholder report or prospectus for details.

**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

# Navigating the ups and downs

Many believe we are in the midst of a secular bear market that began when the Internet bubble burst. Unlike *cyclical* bear markets, which can be as brief as a few months, a *secular* bear typically lasts 10 to 20 years. Although a secular bear market may include a number of declines and rallies, the overall stock market returns during that time are below historical lifetime averages. And while there are no guarantees of what the future holds, here are two lessons that can help you through challenging times.

## Dividends can make a difference

The investment professionals who manage American Mutual Fund (AMF), The Investment Company of America (ICA) and Washington Mutual Investors Fund (WMIF) search for companies with long records of paying dividends. During periods of market strife, dividends can help smooth out the peaks and valleys of short-term fluctuations and may be the only positive component of an investment's return during declines. Over time, dividends can compound and help your assets grow.

## Investors have survived and prospered

Here's how a \$10,000 hypothetical investment fared during two past secular bear markets.

### Great Depression (1/1/34\*–4/28/42)

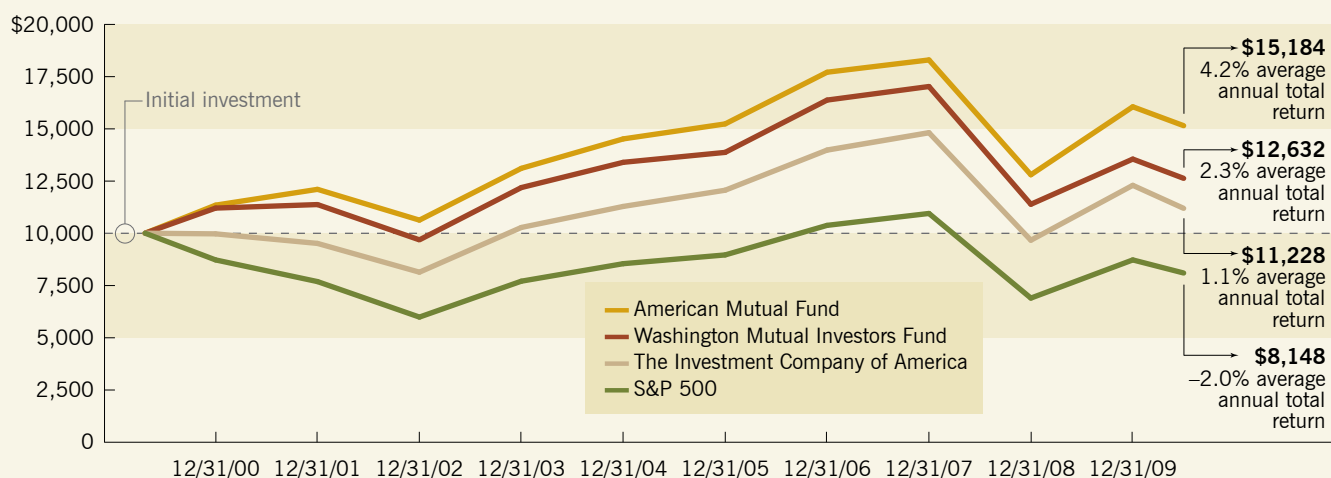
- ICA: \$21,934
- S&P 500: \$11,422

### The 1970s (2/9/66–8/12/82)

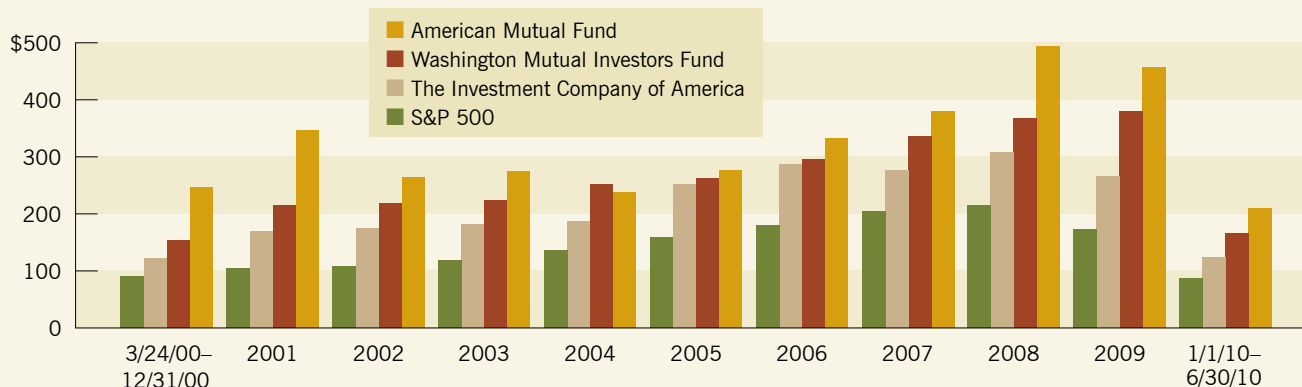
- AMF: \$39,596
- WMIF: \$34,717
- ICA: \$32,848
- S&P 500: \$21,446

## Braving the bear

### Growth of a hypothetical \$10,000 investment (3/24/00–6/30/10)



### Annual dividend income



\*The Great Depression began on September 7, 1929. Results shown are since ICA's inception on January 1, 1934.

Standard & Poor's 500 Composite Index (the S&P 500) is a widely used measure of stocks issued by relatively large U.S. companies. The index is unmanaged and does not reflect the effect of sales charges, commissions or expenses. Equity investments are subject to market fluctuations.

