



United States House of Representatives
Committee on Financial Services, Subcommittee on Capital Markets
Testimony of Joanna F. Jonsson, Vice Chair of Capital Group
June 25, 2026

1. Introduction

Chairs Hill and Wagner, Ranking Members Waters and Sherman, and members of the subcommittee, thank you for convening today's hearing. Capital Group appreciates this opportunity to share our thoughts on the future of how America invests.

My name is Jody Jonsson. I have nearly 40 years of experience in the investment industry, 35 of them at Capital Group. I am the Vice Chair of Capital Group and President of Capital Research and Management Company. I sit on our Management Committee and chair our Investment Group Oversight Committee, which oversees our investment group's structure, processes, and risk governance. I have invested in global equity markets for most of my career.

As an investor with perspective shaped by nearly every market environment, from periods of rapid innovation to moments of market stress and volatility, I have seen how strong public markets and long-term investors support capital formation, and ultimately, better financial outcomes for American retirement savers and working families.

2. Capital Group: improving Americans' lives through successful investing for 95 years

Founded in 1931, Capital Group is one of the world's largest active investment managers and the home of the American Funds, with nearly \$3.6 trillion in assets under management,¹ roughly two-thirds in retirement assets. Over 20 million American households, from every U.S. state and congressional district, invest in our funds. Roughly 75% of U.S. financial advisors hold Capital Group assets for their investors. We serve 370,000 businesses and millions of participants across 401(k)s, IRAs, and pension plans.

Capital Group is privately held and employee-owned, allowing us to focus on long-term client outcomes rather than short-term market pressures. At the core of that approach is The Capital System, our long-standing investment framework that combines independent, high-conviction decision-making with collaborative research and the diversity of multiple perspectives. Rather than relying on a single portfolio manager, Capital Group's strategies and mutual funds are typically built by multiple portfolio managers and research professionals, each investing a portion of the strategy in their best ideas. We believe this structure supports consistency, reduces key-person risk, and helps deliver durable long-term results for investors across market cycles.

Our global investment teams include portfolio managers, investment analysts, economists, and quantitative research professionals who work collaboratively while bringing independent judgment and conviction to every decision. We draw on our global research presence, spanning major markets and asset classes, as well as insights from

¹ As of May 31, 2026.

over 22,000 meetings with companies that were held in 2025 alone. We believe this combination of structural diversification, professional autonomy and varied perspectives strengthens decision-making, supports continuity, and helps us best serve those who invest with us over the long term.

Focused on our mission of improving people's lives through successful investing, Capital Group also offers a broad range of products and solutions designed to meet people's needs at different stages of life and across a variety of financial goals. Through our American Funds and Capital Group families of funds, we provide actively managed mutual funds, exchange-traded funds (ETFs), target date and other multi-asset solutions, as well as retirement-focused offerings for individuals, employer-sponsored plans, and institutional clients. Our funds are among the most used investment options in retirement plans of small- and medium-sized business across the U.S.

We also offer education and disability savings solutions through CollegeAmerica and ABLEAmerica, each the largest funds in the industry. These programs help families save for college or other life training and support long-term financial security for individuals with disabilities. They expand investor choice and provide professionally managed solutions that support long-term saving, retirement readiness, and financial resilience.

Capital Group's funds have a long record of competitive performance over many market cycles. Nearly all our strategies have delivered index-beating lifetime results. Since inception, 86% of our equity and multi asset strategies have outpaced their benchmark,

79% net of fees. For fixed income, the respective numbers are 95% and 74%.² We do so at low cost – 90% of our funds are in the lowest quartile of fees among active managers, and nearly half are in the lowest decile of their Morningstar fee categories.³

Our record reflects the value of long-term active management, rigorous research and diversified decision-making.

3. Active management is the linchpin of U.S. capital markets

U.S. capital markets are a defining strength of the global financial system – and that’s not a platitude. I’ve seen it firsthand through years of investing and living abroad. Active management isn’t just part of that system; it’s a core reason it works.

Without active managers, there effectively is no price discovery or valuation, and no long-term stable source of capital for all types of firms in all market conditions. Active management is essential to maintaining strong and healthy public markets for investors, issuers, and all market participants.

² Source: Capital Group as of March 31, 2026. Based on applicable composite results, and in cases where a composite includes only one fund, applicable fund results, compared to each composite’s/fund’s assigned benchmark. Strategies offered primarily by Capital Group Private Client Services are excluded. Gross results were calculated without the deduction of fees and expenses; results would have been lower if they were subject to fees and expenses. Net results were calculated by deducting from the gross composite results a model fee equal to the current highest management fee of any account in the composite or all applicable fund fees and expenses. Results for other periods differ and there have been periods when the strategies/funds have lagged their benchmarks.

³ Based on total net expense ratios for Morningstar Fee Level Group Broad categories for American Funds F-3 share class, excluding funds of funds, as of January 31, 2026.

A. Price discovery

Active managers are central to price discovery, which is the process by which markets incorporate information and determine the value of a security at a given time. Because we make buy-and-sell decisions based on our assessment of a company's future prospects, risks and valuation, we help market prices reflect underlying economic realities rather than simply accepting prices set elsewhere. In that way, active management improves market efficiency, reduces persistent mispricing, and helps direct capital toward companies and investments that are best positioned to create long-term value. Index funds provide no such price discovery to markets.

B. Long-term stable source of capital

Active management is critical to capital formation, providing a long-term stable source of capital across market caps, market conditions, industries, and geographies. This is particularly important for small- and mid-size companies that are a vital engine for the U.S. economy, jobs, and innovation.

Active managers also play a direct role in providing capital for IPOs. Underwriters depend on active managers to build the book. The roadshow process – where investment banks gauge demand before pricing a new issue – is conducted almost entirely with active managers. Institutional active funds are the anchor buyers that make a book of demand credible. Without active, underwriters lose the mechanism that makes IPO pricing possible.

Importantly, active managers provide a source of liquidity in times of market stress. U.S. capital markets are among the most active and deep in the world. However, during times of market stress, liquidity may contract as programmatic traders adapt to changing conditions. For example, transactions by index funds and passive ETFs are solely governed by client flows and are potentially pro-cyclical. In times of downward market stress, an active asset manager's investment professionals may act in a counter-cyclical manner and use available cash to buy securities of companies with reduced valuations that represent a long-term buying opportunity. As an example, during the Global Financial Crisis, Capital Group managed funds injected over \$12 billion into U.S. bank stocks to provide stable financing – investments that benefitted both the banks and the investors we serve.

C. Healthy public markets

U.S. public markets are important for investors. They offer liquidity, transparency, and broad investment choice. They also reflect a policy framework that has long supported investor protection, market integrity and capital formation. Well-functioning public markets give households access to regulated investment opportunities with reliable disclosures. They help individuals save for retirement, build long-term wealth and participate in the growth of American businesses on fair and consistent terms. From a policy perspective, preserving healthy public markets is essential to ensuring that capital can be raised efficiently, prices can reflect meaningful information and investors of all sizes can benefit from an accessible, competitive and trusted market system.

4. America's savers deserve choice

America's savers benefit from investor choice because no single investment approach, product or path to retirement security is right for everyone.

Households have different incomes, goals, time horizons, risk tolerances and levels of access to financial advice, and a healthy retirement system should reflect this by preserving a wide range of professionally managed options. For instance, two gig workers aged 25 and 50 have very different investment profiles and should not be subject to a government-imposed one-size-fits-all approach. Policies that protect choice help ensure that savers can build portfolios that meet their individual needs, adapt as circumstances change and pursue long-term financial security with greater confidence, flexibility and opportunity.

Target-date funds demonstrate the power of investor choice. Since becoming plan defaults two decades ago, a variety of approaches tailored to investor time horizons and risk tolerance have developed as innovation has flourished. Some options are passive, some are active, and some are a combination. This has made target-date funds the most convenient and widely used retirement solution for American workers.

Choice also means that America's retail investors should have the same opportunities as large institutional and other professional investors – which makes it critical that public policy preserves investor choice between active and passive products. Government restrictions on choice limit investors' opportunity to achieve their best investment outcomes. Newborn savings accounts hold great promise and can be more

successful with both active and passive options. Similarly, a bifurcated proxy voting system with different rules for passive and active funds reduces investor choice and narrows the pathway to optimal outcomes for savers.⁴

Capital Group shared our perspective on the importance of investor choice with the Department of Labor regarding its proposal to clarify how fiduciaries must evaluate 401(k) investment options, including private markets. We support DOL's asset-class-neutral approach, which reinforces the importance of evaluating investments based on results and recognizes the role active management can play in retirement portfolios. We believe this is a meaningful step toward promoting investor choice, improving outcomes and bringing investment opportunities once limited to institutions closer to everyday retirement savers.

5. Investor outcomes should be the North Star

As previously noted, Capital Group's mission is to improve people's lives through successful investing. This means we start with a goal of meeting the specific needs of an individual investor. While benchmarks aim to measure a market, Capital Group solutions are designed to meet the needs of individual investors, considering their stage of life, risk appetite and investment goals. Too often discussions of the type and cost of investment

⁴ The Advisors Act and the SEC have long been clear that it is the duty of investment managers to vote proxies in clients' best interests. As an active manager, we are deeply proud of our proxy voting process, which is led by investment professionals and grounded in company specific research and case-by-case analysis. Index managers will have different constraints and approaches to proxy voting, appropriate to their organizations. In both cases, we believe that the ability to vote proxies of securities held in client portfolios are significant assets and should be treated as such, regardless of whether those portfolios are active or indexed. Bifurcated voting may also create unintended consequences, if novel requirements for "passive" proxy voting create precedent for "passive" ownership definitions that create imbalanced investment opportunities.

vehicles obscure the fact that the goal simply should be achieving optimal outcomes for individual savers. That’s why Capital Group supports choice among active and passive investments.

Since 1934, a \$10,000 investment in one of our flagship equity strategies would have grown to more than \$508 million, versus \$196 million in the S&P 500.⁵ Roughly 1% of annualized excess return compounded into more than \$312 million of additional wealth.

Our active-at-the-core approach reflects our belief that many investors can benefit from combining the broad diversification of passive building blocks with the return potential (or lower volatility), risk management and long-term perspective of active management. In practice, that means using active strategies where research, security selection and downside protection can add the most value, while incorporating passive exposures where they can help deliver broad market exposure. We believe such a balanced approach can expand choice, improve portfolio construction and better serve investors seeking improved lives over the long term.

However, there is a common misperception that index funds somehow are “safer” for most investors. Passive funds are cheaper on average. But cheaper is not the same as safer, nor does cheaper equate to better investor outcomes. A passive fund in a declining market is guaranteed to fully participate in that decline. Passive funds don’t reduce risk — they lock savers into it. An index fund doesn’t assess whether markets are overvalued,

⁵ Based on the Investment Company of America Composite for the period 12/31/1933 through 5/31/2026, net of fees.

whether a sector is in a bubble, or whether a specific holding has deteriorated. In 2000 and 2008, passive investors rode the market decline with no ability to reduce exposure.

“Passive” means passive about risk, not just passive about stock selection.

Index construction itself is an active decision, as the current discussion about inclusion of mega IPOs in indices underscores. Someone decides what goes into an index. Someone decides the weighting methodology. Someone decides when to rebalance and what triggers inclusion or exclusion.

Sequence-of-returns risk can be devastating for passive holders. For investors near or in retirement, a large passive drawdown at the wrong moment — right before or after retirement — can permanently impair a portfolio. An active manager with a mandate to protect capital or generate income can manage around this. A passive fund cannot.

“Safety” often is conflated with “lower fees.” The case for passive investing is about cost — not risk. Conflating the two misleads investors about the nature of what they’re buying. The most important measure to American investors is value: the overall return to an investor net of fees.

6. Policymaking for optimal investor outcomes

In closing, we commend the House Financial Services Committee for its longstanding bipartisan support for policies that reflect the important understanding that healthy capital markets and durable retirement outcomes are closely connected. We also commend the Trump Administration for its efforts to promote retirement savings and investment, including through the new TrumpIRA.gov marketplace. To provide optimal

outcomes for American savers, we urge Congress and the Administration to craft policies that accelerate innovation by allowing active and passive investment strategies to compete, and also to focus on investor outcomes rather than fees alone.

Capital Group supports many bills this committee is pursuing, including modernizing escheatment practices, broadening retirement opportunities for non-profits by allowing 403(b) plan participants to invest in collective trusts, encouraging the SEC to finalize a rule allowing electronic delivery of regulatory documents to investors, and requiring the FSOC to take an activities-based approach when considering designation of non-bank SIFIs. Thank you for your work on these important, common sense market improvements.

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We appreciate the opportunity to share our views and look forward to your questions.