

Amer Funds Inc Fund A

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

The fund's nine named portfolio "counselors" (managers) are a very seasoned bunch, with an average of more than 18 years with the fund's advisor, Capital Research and Management. Moreover, the firm boasts one of the deepest and most skilled research benches in the fund business.

Strategy

The fund's managers favor stocks that pay high dividends, which typically leads the fund to large stakes in financials and utilities stocks and scant exposure to technology shares. On the bond side, the team keeps the fund's interest-rate risk fairly moderate and won't invest more than 20% of assets in issues rated below investment-grade--that sliver has been a tad below 10% of late.

Performance 04-30-06

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2002	3.22	-3.61	-10.29	7.13	-4.37
2003	-1.13	11.37	2.43	11.07	25.27
2004	1.96	0.15	2.71	7.67	12.92
2005	-1.37	2.12	2.21	0.45	3.41
2006	4.94	—	—	—	—

Trailing	Total Return%	+/- DJ 60%	+/- DJ 60%	%Rank Cat	Growth of \$10,000
3 Mo	4.13	1.89	2.77	2	10,413
6 Mo	9.79	-0.17	1.77	18	10,979
1 Yr	12.82	-3.15	-1.49	44	11,282
3 Yr Avg	14.39	-1.76	0.90	14	14,968
5 Yr Avg	8.62	0.27	2.07	5	15,120
10 Yr Avg	10.01	1.32	1.11	11	25,961
15 Yr Avg	11.08	1.38	1.14	10	48,366

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	10.48	43	1.49	86
5 Yr (estimated)	5.51	11	1.70	96
10 Yr (estimated)	6.74	24	2.40	96

Potential Capital Gain Exposure: 15% of assets

Morningstar's Take by William Samuel Rocco 04-25-06

American Funds Income Fund of America lives up to its name and then some.

This fund certainly delivers on its primary goal of providing investors with current income. Its managers favor stocks with sizable dividends. They also pay significant attention to higher-yielding bonds on the fixed-income side of the portfolio. And this fund has an exceptionally low expense ratio of 0.54%. Thus, the fund consistently boasts a superior payout. As of March 31, 2006, in fact, it had a 12-month yield of 3.80%, which is the sixth highest of all 305 moderate-allocation offerings and more than two percentage points better than the norm for such offerings.

This emphasis on yield hasn't kept the fund from earning strong long-term returns. Its skilled and experienced managers have a broader investment universe than many of their moderate-allocation peers do, because they have more leeway to venture abroad. And their security selection has generally been good while their style has been in

Analyst Pick	Ticker AMEX	Load 5.75%	NAV \$19.15	Yield 3.7%	Total Assets \$66,548 mil	Mstar Category Moderate Allocation						
Historical Profile												Investment Style Equity Stock %
Return Above Avg	47%	51%	51%	48%	44%	56%	63%	63%	63%	64%	64%	Equity
Risk Below Avg												Stock %
Rating ★★★★★												▼ Manager Change
Above Avg												▼ Partial Manager Change
												Growth of \$10,000
												Investment Values of Fund
												Investment Values of DJ 60%
												Performance Quartile (within Category)
												History
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	04-06	NAV
15.87	16.52	17.77	17.34	15.74	15.94	15.82	14.35	17.18	18.56	18.11	19.15	6.72
29.08	15.23	22.16	9.47	0.52	9.98	5.41	-4.37	25.27	12.92	3.41	6.72	1.13
9.28	4.57	10.26	-2.85	-16.81	11.65	8.21	2.40	-2.11	-0.05	-3.58	1.13	+/-DJ 60%
4.31	3.89	2.96	-2.92	-12.33	5.54	5.25	6.17	1.21	1.75	-2.59	2.33	+/-DJ 60%
6.45	5.79	5.17	5.04	5.11	5.18	5.11	4.99	4.97	3.87	3.88	0.97	Income Return %
22.63	9.44	16.99	4.43	-4.59	4.80	0.30	-9.36	20.30	9.05	-0.47	5.75	Capital Return %
23	45	26	73	90	13	5	6	14	8	74	9	Total Rtn % Rank Cat
0.83	0.90	0.82	0.88	0.87	0.80	0.80	0.78	0.70	0.66	0.71	0.18	Income \$
0.18	0.81	1.48	1.19	0.81	0.48	0.16	0.02	0.00	0.13	0.36	0.00	Capital Gains %
0.65	0.62	0.61	0.59	0.59	0.63	0.62	0.61	0.61	0.57	0.54	—	Expense Ratio %
6.12	5.56	5.09	4.75	4.99	5.52	5.18	4.66	4.98	4.15	4.26	—	Income Ratio %
26	38	41	35	44	35	44	36	28	27	24	—	Turnover Rate %
13,778	16,192	20,221	22,909	21,450	18,568	19,853	20,836	31,955	42,536	48,701	51,878	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	6.34			
3 Yr	12.15	Avg	Avg	★★★
5 Yr	7.34	+Avg	Avg	★★★★★
10 Yr	9.36	+Avg	Low	★★★★
Incept	10.86			

Other Measures

	Standard Index S&P 500	Best Fit Index Russ 1000 VI
Alpha	0.5	0.4
Beta	0.84	0.70
R-Squared	79	82
Standard Deviation	6.14	
Mean	14.39	
Sharpe Ratio	1.84	

Portfolio Analysis 03-31-06

Total Stocks: 171	Share change since 12-31-05	Sectors	P/E Ratio	YTD Return %	% Net Assets
⊕ BellSouth Corporation Com		Telecom	20.5	22.70	2.38
⊕ AT&T, Inc. Common Stock		Telecom	17.8	5.75	2.29
⊕ General Electric Company		Ind Mtrls	19.8	-2.07	1.83
⊕ Chevron Corporation Commo		Energy	8.9	4.29	1.51
⊕ Bristol-Myers Squibb Comp		Health	15.7	6.31	1.46
⊕ Citigroup, Inc. Common St		Financial	12.8	2.77	1.42
⊕ Weyerhaeuser Company Comm		Ind Mtrls	27.4	-0.97	1.23
⊕ Altria Group, Inc. Common		Goods	13.9	-4.15	1.17
⊕ Royal Dutch Shell PLC ADR		Energy	8.5	7.80	1.13

Total Fixed-Income: 1080

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Nextel Comms 7.375%	08-01-15	165,240	173,420	0.28
Cwalt CMO 5.5%	11-25-35	149,805	147,505	0.24
Electnc Data Sys New 6.5%	08-01-13	137,150	139,675	0.23
Sb Treas 144A FRN	12-29-49	124,434	133,953	0.22
Intel 144A Cv 2.95%	12-15-35	154,825	133,537	0.22
Qwest Comms Intl Cv 3.5%	11-15-25	100,000	133,375	0.22
Nextel Comms 6.875%	10-31-13	125,730	129,827	0.21
US Treasury Note 4.25%	08-15-13	117,000	112,540	0.18
FNMA 5.5%	02-01-35	104,034	101,625	0.17

Equity Style

Style: Value	Rel Category	Value Measures	Price/Earnings	Price/Book	Price/Sales	Price/Cash Flow	Dividend Yield %	Growth Measures	Long-Term Erngs	Book Value	Sales	Cash Flow	Historical Erngs	Market Cap %	Fixed-Income Style	Duration: Interm-Term	Quality: Medium	Avg Eff Duration 1	4.2 Yrs	Avg Eff Maturity	6.2 Yrs	Avg Credit Quality	BBB	Avg Wtd Coupon	6.58%
Size: Large-Cap			13.88	2.07	1.20	6.78	4.26	%	8.35	7.70	5.98	3.85	9.96												
			0.88	0.84	0.87	0.94	2.29	%	0.72	0.88	0.69	0.35	0.57												
			0.7	0.1	0.1	0.1	0.1		0.7	0.1	0.1	0.1	0.1												
			34,189																						

Composition

	%	Rel DJ 60%	3 Year High Low
● Cash	8.0		
● Stocks	64.2		
● Bonds	23.7		
● Other	4.1		
Foreign (% of Stock)	24.5		
Info	14.72	—	—
Software	0.76	—	1 0
Hardware	0.32	—	1 0
Media	0.29	—	1 0
Telecom	13.35	—	14 11
Service	40.28	—	—
Health	7.78	—	8 3
Consumer	2.22	—	4 2
Business	2.51	—	3 0
Financial	27.77	—	29 27
Mfg	45.00	—	—
Goods	11.39	—	13 10
Ind Mtrls	13.71	—	18 12
Energy	9.17	—	12 9
Utilities	10.73	—	15 11

Address:	One Market - Steuart Tower San Francisco CA 94105 800-421-0180	Minimum Purchase:	\$250	Add: \$50	IRA: \$250
Web Address:	www.americanfunds.com	Min Auto Inv Plan:	\$50	Add: \$50	
Inception:	12-31-70	Sales Fees:	5.75%L, 0.22%S		
Advisor:	Capital Research and Management Company	Management Fee:	0.25%		
Subadvisor:	None	Actual Fees:	Mgt:0.25% Dist:0.22%		
NTF Plans:	Federated Tr NTF	Expense Projections:	3Yr:\$741 5Yr:\$865 10Yr:\$1225		
		Income Distrib:			