



CAPITAL RESEARCH AND MANAGEMENT COMPANY

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Form ADV, Part 2A
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This brochure provides information about the qualification and business practices of Capital Research and Management Company. Throughout this brochure and related materials, Capital Research and Management Company may refer to itself as a “registered investment adviser” or “being registered.” You should be aware that registration with the United States Securities and Exchange Commission (“SEC”) or a state securities authority does not imply a certain level of skill or training.

If you have any questions about the contents of this brochure, please contact us at ADVPart2@capgroup.com.

The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Capital Research and Management Company also is available on the SEC’s website at www.adviserinfo.sec.gov

ITEM 2: MATERIAL CHANGES

There have been no material changes since the last update of Capital Research and Management Company's Form ADV, Part 2A brochure dated September 28, 2016.

Form ADV Part 2A has been updated with language to reflect additional disclosures related to our managed account business as well as updates to risk disclosures.

ITEM 3: TABLE OF CONTENTS

Item	Page
1 Cover Page.....	1
2 Material Changes	2
3 Table of Contents	3
4 Advisory Business	4
5 Fees and Compensation	6
6 Performance-Based Fees and Side-by-Side Management	8
7 Type of Clients.....	9
8 Methods of Analysis, Investment Strategies and Risk of Loss.....	10
9 Disciplinary Information.....	18
10 Other Financial Industry Activities and Affiliations.....	19
11 Code of Ethics.....	22
12 Brokerage Practices	24
13 Review of Accounts.....	33
14 Client Referrals and Other Compensation	34
15 Custody	35
16 Investment Discretion	36
17 Voting Client Securities	37
18 Financial Information.....	40
19 Requirements for State-Registered Advisers	41

ITEM 4: ADVISORY BUSINESS

Capital Research and Management Company, a wholly-owned subsidiary of The Capital Group Companies, Inc., is a Delaware corporation that traces its roots to 1931. The Capital Group Companies form one of the most experienced families of investment management firms in the world. Capital Research and Management Company and The Capital Group Companies have always been privately held.

Capital Research and Management Company is the investment adviser to the American Funds family of mutual funds, including American Funds Target Date Retirement Series, American Funds Portfolio Series, American Funds Retirement Income Portfolio Series, American Funds College Target Date Series, and American Funds Insurance Series. It is also the investment adviser to the Capital International Fund, a Luxembourg investment company, and is the sub-adviser to asset pools of Capital International Asset Management (Canada), Inc., whose adviser is an affiliate of Capital Research and Management Company. In addition, Capital Research and Management Company serves as the investment adviser to Capital Bank and Trust Company in its capacity as the trustee of certain collective investment trusts that are exempt from SEC registration. Capital Bank and Trust Company is an affiliate of Capital Research and Management Company.

Capital Research and Management Company may be retained as an investment adviser to a portion of the assets administered under “wrap fee” programs sponsored by broker-dealers or other financial institutions where a sponsor offers bundled investment management, custody, brokerage or other services for a single “wrap fee” charged by the sponsor. In cases where Capital Research and Management Company is an investment adviser to an equity wrap program, Capital Research and Management Company does not negotiate brokerage commissions for the execution of transactions in the client’s account that are executed by or through the sponsor. These commissions are generally included in the wrap fee charged by the sponsor. Fixed-income transactions for wrap programs are generally executed by Capital Research and Management Company or its affiliate. Please also refer to the disclosure under the heading “Managed Account Programs” under Item 12 (Brokerage Practices) in this brochure for further information. For some wrap fee programs, Capital Research and Management Company may only provide model portfolios to the sponsor and the sponsor will have ultimate decision making and discretionary authority for those accounts. Generally, Capital Research and Management Company is paid an investment management fee based on the amount of assets it manages in the wrap program by the wrap program’s sponsor. Clients who enroll in wrap fee programs should carefully review the fee structure and other program documents provided by the sponsor.

In addition, Capital Research and Management Company may recommend portfolios of funds it advises to the sponsor for certain wrap fee or advisory programs. For portfolios where CRMC is acting as portfolio strategist, CRMC is providing advice to the sponsor. The sponsor has ultimate decision making responsibility and discretionary authority for the accounts investing in the portfolios and is solely responsible for recommending such portfolios to investors. Capital Research and Management Company will create these portfolios solely from registered

investment companies it advises and may not consider other funds or investments in the construct of the portfolio. Capital Research and Management Company receives compensation from the funds that make up the portfolios for the investment advisory and other services it provides to those funds but does not charge a separate fee for its portfolio construction services.

Capital Research and Management Company also provides investment management to individuals, foundations, trusts and other investors through wrap fee programs or dual contract program (“managed account programs”) sponsored by broker-dealers or other financial institutions. In such programs, the sponsor provides a platform where investors can choose a variety of service providers to invest and manage their account. In a wrap fee program, a participant enters into an advisory agreement with the sponsor and the sponsor enters into an agreement with Capital Research and Management Company. In a dual contract program, a participant enters into an investment advisory agreement with Capital Research and Management Company and a separate agreement with the program sponsor. Dual contract programs are generally managed in a manner similar to wrap programs as discussed throughout this brochure.

Capital Research and Management Company manages equity assets through three equity investment divisions and fixed-income assets through its fixed-income division. The three equity divisions, Capital World Investors, Capital Research Global Investors and Capital International Investors make investment decisions on an independent basis. Portfolio Managers in Capital International Investors rely on a research team that also provides investment services to institutional clients and other accounts advised by affiliates of Capital Research and Management Company. Capital Research and Management Company’s only business is investment management and related services. Capital Research and Management Company typically builds portfolios for funds and accounts (collectively referred to as “funds” throughout the brochure) from the bottom-up using rigorous fundamental research to find attractive investments and manage risks. Research is produced for internal use only, and is not published or sold to external parties. Investment decisions are subject to a fund’s objective, policies and restrictions and the oversight of the appropriate investment-related committees of Capital Research and Management Company and its investment divisions. The objective, policies and restrictions of each of the funds managed by Capital Research and Management Company are set forth in its prospectus and statement of additional information or other disclosure documents. Depending on a fund’s objective, policies and restrictions, Capital Research and Management Company generally invests in equity securities, fixed-income securities or a combination of both. When consistent with a fund’s or account’s objectives, strategies and guidelines, Capital Research and Management may also invest in other types of securities or investment instruments, including, but not limited to, futures, forward contracts, swaps and repurchase agreements. Please also refer to Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) in this Brochure for further information.

As of June 30, 2016 Capital Research and Management Company managed approximately \$1,455,780,400,000 in discretionary assets under management. Capital Research and Management Company also provides model portfolios to certain managed account program clients on a non-discretionary basis and as of June 30, 2016 had approximately \$1,602,600,000 in non-discretionary assets under management.

ITEM 5: FEES AND COMPENSATION

Capital Research and Management Company's fees are generally not negotiable. Capital Research and Management Company's management fees are paid pursuant to investment advisory agreements, or in the case of Capital Bank and Trust Company and Capital International Assets Management (Canada), Inc., advisory or sub-advisory agreements. Capital Research and Management Company's management fees are generally based on a percentage of assets under management and, for certain funds, a combination of assets under management and gross investment income.

Management fees are paid monthly by the American Funds to Capital Research and Management Company based on the previous month's daily net asset levels. Management fees for each of the American Funds are described in such fund's prospectus and statement of additional information.

The annual fees for advisory services provided by Capital Research and Management Company to Capital Bank and Trust Company, in its capacity as trustee to certain collective investment trusts, are agreed upon from time to time in writing. The fees that Capital Bank and Trust Company receives for such collective investment trusts are described in the characteristic documents.

The annual fees for investment advisory or sub-advisory services for Capital International Assets Management (Canada), Inc. and the Capital International Fund are agreed to from time to time in writing. Management fees paid by investors in each of these funds are described in such fund's governing documents.

The funds incur fees and expenses in addition to the management fees described above, including administrative service fees, custodial fees and other fund expenses. With respect to the American Funds, Capital Research and Management Company provides certain transfer agent and administrative services for shareholders of the funds pursuant to an administrative service agreement. Capital Research and Management Company may contract with third parties, including American Funds Service Company, the funds' Transfer Agent, and American Funds Distributors, Inc., the funds' principal underwriter, to provide some of these services. In addition, the funds will incur brokerage and other transaction costs. Please refer to Item 12 (Brokerage Practices) below for a discussion of Capital Research and Management Company's brokerage practices.

Capital Research and Management Company investment advisory services are also available through various consulting, or bundled "wrap fee" programs sponsored by certain broker-dealers or other financial institutions. Fees charged to the wrap program's sponsor for such services will vary based on the relationship, services provided and other factors. The end investor of the wrap fee programs generally pays a "wrap fee" to the sponsor based on a percentage of assets; the advisory fees charged by Capital Research and Management Company to the sponsor are generally included in this wrap fee. Clients should contact their program sponsor for more information on fees in connection with such programs.

In a dual contract arrangement, Capital Research and Management Company's fee is typically paid directly by the client pursuant to a separate agreement. The annual fee schedule for investment management services for dual contract programs are expressed as a percentage of total assets. All assets are stated in U.S. dollars. Investment mandates in currencies other than U.S. dollars will reflect fee breakpoints that historically have approximated those breakpoints in the local currency. In addition to the fee schedules outlined below, different fee schedules may apply for long standing clients as well as clients with customized mandates or special service needs.

U.S. Equity

<i><u>Fee calculated on total assets:</u></i>	<i>Rate:</i>
Accounts under \$10 million:	
All Assets	0.650%
Accounts over \$10 million:	
First \$25 million	0.600%
Next \$25 million	0.450%
Over \$50 million	0.325%

International/Global Equity, World Dividend Growers

<i><u>Fee calculated on total assets:</u></i>	<i>Rate:</i>
Accounts under \$10 million:	
All Assets	0.750%
Accounts over \$10 million:	
First \$25 million	0.700%
Next \$25 million	0.550%
Next \$200 million	0.425%
Over \$250 million	0.375%

U.S. Fixed Income

(Core Bond, Short-term Municipal Bond and Core Municipal Bond)

<i><u>Fee calculated on total assets:</u></i>	<i>Rate:</i>
Accounts under \$10 million:	
All Assets	0.350%
Accounts over \$10 million:	
First \$50 million	0.300%
Next \$50 million	0.200%
Next \$200 million	0.180%
Over \$300 million	0.150%

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Capital Research and Management Company charges the funds asset-based fees for providing investment advisory services. However, certain fixed-income portfolio managers and portfolio managers in the Capital International Investors division may manage assets for the funds advised by Capital Research and Management Company and accounts advised by an affiliate of Capital Research and Management Company. In limited circumstances, Capital Research and Management Company's affiliate may receive fees that are based on the performance of the account. Managing both types of accounts simultaneously creates a risk of conflicts for the portfolio manager to (i) allocate more attractive investment opportunities to accounts with performance-based fees and/or (ii) make investments for those accounts that are more speculative than for accounts that do not have performance-based fees.

Capital Research and Management Company and its affiliates have adopted allocation policies that are designed in part to address these potential conflicts of interest. See Item 12 (Brokerage Practices) of this Brochure for Capital Research and Management Company's policy on allocating trades fairly, which is designed to allocate trades to clients in a fair and equitable manner over time, taking into consideration the interests of each client. Non-investment factors, such as fee arrangements, are not considered in selecting clients or allocating trades.

In addition, while Capital Research and Management Company and its affiliates provide individual investment advice and treatment to each fund, portfolio managers focus on particular investment mandates, using similar investment strategies in connection with the management of multiple portfolios, which helps minimize the potential for conflicts of interest. Further, Capital Research and Management Company provides investment advice to portfolios that are managed using investment objectives and strategies similar to another investment vehicle. The results of such portfolios may vary depending on a number of factors, including, but not limited to, fees and expenses, portfolio size, transaction costs, cash flows, currencies, securities pricing time, taxes and portfolio holdings and any applicable investment limitations.

Capital Research and Management Company reviews funds with similar objectives managed by Capital Research and Management Company and its affiliate at least annually. These reviews generally include, among other things, information related to investment results, including dispersion of results among funds and reasons for such dispersion, if any, significant fund guidelines and the investment structure of the portfolio.

ITEM 7: TYPES OF CLIENTS

Capital Research and Management Company provides investment management services to Registered Investment Companies and other pooled investment vehicles. In addition, Capital Research and Management Company serves as the investment adviser to Capital Bank and Trust Company in its capacity as the trustee of certain collective investment trusts that are exempt from SEC registration. Capital Research and Management Company also provides investment management and related services to participants in managed account programs.

Minimum account sizes for fund investments are disclosed in each fund's prospectus, statement of additional information, characteristics, annual information form or other disclosure documents.

The minimum account size for dual contract program clients is generally \$1 million.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS
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Capital Research and Management Company maintains an investment philosophy that is distinguished by four key beliefs:

- Solid research is fundamental to sound investment decisions. Capital Research and Management Company employs teams of experienced analysts who regularly gather in-depth, first-hand information on markets and companies around the globe.
- Investment decisions should not be made lightly. In addition to providing extensive research, our investment professionals go to great lengths to determine the difference between the fundamental value of a company and its price in the marketplace.
- A long-term approach. It's part of the big-picture view our investment professionals take of the companies in which we invest. This is reflected by the typically low turnover of portfolio holdings in the funds we manage. In addition, our investment professionals usually remain with us for many years and are compensated according to their investment results over time.
- The Capital System. Capital Research and Management Company uses a system of multiple portfolio managers in managing most account and fund assets. Under this approach, the portfolio of a fund or account is divided into segments managed by individual managers who decide how their respective segments will be invested. In addition, Capital Research and Management Company's investment analysts may make investment decisions with respect to a portion of a fund's or client's portfolio. Over time, this method has contributed to consistency of results and continuity of management.

Investment decisions are subject to a fund's or account's objectives, policies and restrictions and the oversight of the appropriate investment-related committees of Capital Research and Management Company and its investment divisions. The objectives, policies and restrictions of each of the funds managed by Capital Research and Management Company are set forth in the governing docs of the fund or guidelines of the account. Depending on a fund's or account's objective, policies and restrictions, Capital Research and Management Company generally invests in equity securities, fixed-income securities or a combination of both. Capital Research and Management Company invests in U.S. and international equity securities, including common stocks, preferred stocks and convertible securities, of companies with varying market capitalizations. Capital Research and Management Company also invests in U.S. and international fixed-income securities, including bonds, loan participations, mortgage-backed securities and municipal bonds of varying quality and duration. When consistent with a fund's or account's objectives, strategies and guidelines, Capital Research and Management may also invest in other types of securities or investment instruments, including, but not limited to, futures, forward contracts, swaps and repurchase agreements.

Capital Research and Management Company manages portfolios that seek to capture the risk and return characteristics of other investment vehicles with the same investment strategy. To manage this type of portfolio, we implement a proprietary solution that utilizes a commercially available third-party risk model to help identify the characteristics of the underlying holdings of the strategy. Capital Research and Management Company considers certain constraints on the resulting portfolio including but not limited to turnover, market impact, number of holdings, trading cost, trading footprint and holding period. The results of such portfolios may vary depending on a number of factors, including, but not limited to, fees and expenses, portfolio size, transaction costs, cash flows, currencies, securities pricing time, taxes and portfolio holdings and any applicable investment limitations. These risks may be heightened for vehicles that have a limitation on the number of holdings in the resulting portfolio, such as the portfolios created for wrap fee programs.

Investing in securities involves risk of loss that funds and their shareholders or other clients should be prepared to bear. Each fund or account is subject to certain risks associated with the investments made by Capital Research and Management Company in accordance with that fund's policies and restrictions. The risks associated with an investment in each fund are set forth in that fund's prospectus and statement of additional information or other disclosure documents. These risks may include, but are not limited to, certain of the risks set forth below.

- ***Management*** — Capital Research and Management Company actively manages investments. Consequently, the accounts and funds are subject to the risk that the methods and analyses employed by the investment adviser in this process which may not produce the desired results. This could cause a fund to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.
- ***Market conditions*** — The prices of, and income generated by, the common stocks and other securities may decline – sometimes rapidly or unpredictably – due to market conditions and other factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate and commodity price fluctuations.
- ***Investing in stocks*** — Investing in stocks may involve larger price swings and greater potential for loss than other types of investments. As a result, the value of the funds may be subject to sharp, short-term declines in value. For fund of fund strategies, income provided by an underlying fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the underlying fund invests.
- ***Investing in growth-oriented stocks*** — Growth-oriented common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. These risks may be heightened in the case of smaller capitalization stocks.
- ***Investing in income-oriented stocks*** — Income provided by the funds may be reduced by changes in the dividend policies of, and the capital resources available for dividend at, the companies in which a fund or account invests.

- ***Issuer risks*** — The prices of, and the income generated by, securities held by the fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions and the market response to any such initiatives.
- ***Currency*** – The prices of, and the income generated by, many securities may be affected by changes in relative currency values. If the U.S. dollar appreciates against foreign currencies, the value in U.S. dollars of the fund or account's securities denominated in such currencies would generally fall and vice versa. U.S. dollar denominated securities of foreign issuers may also be affected by changes in relative currency values. The use of forward currency contracts involves the risk that currency movements will not be accurately predicted by the investment adviser, which could result in losses to the fund. While entering into forward currency contracts could minimize the risk of loss due to a decline in the value of the hedged currency, it could also limit any potential gain that may result from an increase in the value of the currency. Additionally, the adviser may use forward currency contracts to increase exposure to a certain currency or to shift exposure to currency fluctuations from one country to another. Forward currency contracts may expose the fund to potential gains and losses in excess of the initial amount invested.
- ***Investing in smaller companies*** — Investing in smaller companies may pose additional risks. For example, it is often more difficult to value or dispose of small company stocks and more difficult to obtain information about smaller companies than about larger companies. Furthermore, smaller companies often have limited product lines, operating histories, markets and/or financial resources, may be dependent on one or a few key persons for management, and can be more susceptible to losses. Moreover, the prices of their stocks may be more volatile than stocks of larger, more established companies.
- ***Investing outside the United States*** — Securities of issuers domiciled outside the United States, or with significant operations outside the United States, may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuer operates. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Securities markets in certain countries may be more volatile and/or less liquid than those in the United States. Investments outside the United States may also be subject to different settlement and accounting practices and different regulatory, legal and reporting standards, and may be more difficult to value, than those in the United States. In addition, the value of investments outside the United States may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities transactions. These risks may be heightened in connection with investments in emerging market and developing countries.
- ***Investing in emerging market countries*** — Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in developed countries. For instance, emerging market and developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these

countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating for a fund's net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

- ***Exposure to country, region, industry or sector*** — The fund or account may have significant exposure to a particular country, region, industry or sector. Such exposure may cause the fund or account to be more impacted by risks relating to the country, region, industry or sector than a fund or account without such levels of exposure. For example, if the fund or account has significant exposure in a particular country, then social, economic, regulatory or other issues that negatively affect that country may have a greater impact on the fund than on a fund that is more geographically diversified.
- ***Investing in debt instruments*** — The prices of, and the income generated by, bonds and other debt securities held by the fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. Bonds and other debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which the fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. Capital Research and Management Company and its affiliates rely on their own credit analysts to research issuers and issues in seeking to mitigate various credit and default risks.
- ***Investing in lower rated debt instruments*** — Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in lower quality, higher yielding debt securities (generally rated Ba1 or below and BB+ or below or unrated but

determined by Capital Research and Management Company to be of equivalent quality (“junk bonds”).

- ***Investing in securities backed by the U.S. government*** — Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued by government-sponsored entities and federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government are neither issued nor guaranteed by the U.S. government.
- ***Interest rate risk*** — The values and liquidity of the securities held by the fund may be affected by changing interest rates. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. The fund may invest in variable and floating rate securities. Although such securities are generally less sensitive to interest rate changes, the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Conversely, floating rate securities will not generally increase in value if interest rates decline. During periods of extremely low short-term interest rates, the fund may not be able to maintain a positive yield and, given the current historically low interest rate environment, risks associated with rising rates are currently heightened.
- ***Investing in future delivery contracts*** — A fund or account may enter into contracts, such as to-be-announced contracts and mortgage dollar rolls, that involve selling mortgage-related securities and simultaneously contracting to repurchase similar securities for delivery at a future date at a predetermined price. This can increase the fund’s market exposure and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While the fund can preserve and generate capital through the use of such contracts by, for example, realizing the difference between the sale price and the future purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of the fund.
- ***Investing in mortgage-related and other asset backed securities*** — Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. Such securities often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt. When interest rates fall, borrowers are more likely to refinance or prepay their debt before its stated maturity. This may result in the fund having to reinvest the proceeds in lower yielding securities, effectively reducing the fund’s income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing the fund’s cash available for reinvestment in higher yielding securities.

- ***Investing in derivatives*** — The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may expose the fund to losses in excess of its initial investment. Derivatives may be difficult for the fund to buy or sell at an opportune time or price and may be difficult to terminate or otherwise offset. The fund or account's use of derivatives may result in losses to the fund or account, and investing in derivatives may reduce the fund or account's returns and increase the fund or account's price volatility. The fund or account's counterparty to a derivative transaction (including, if applicable, the fund or account's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction.
- ***Investing in swaps*** — Swaps, including interest rate swaps and credit default swap indices, or CDX, are subject to many of the risks generally associated with investing in derivative instruments. Additionally, although swaps require no or only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a swap contract could greatly exceed the initial amount invested. The use of swaps involves the risk that the investment adviser will not accurately predict anticipated changes in interest rates or other economic factors, which may result in losses to the fund. To the extent the fund enters into a bilaterally negotiated swap transaction, there is a possibility that the counterparty will fail to perform in accordance with the terms of the swap agreement. If a counterparty defaults on its obligations under a swap agreement, the fund may lose any amount it expected to receive from the counterparty, potentially including amounts in excess of the fund's initial investment. Certain swap transactions are subject to mandatory central clearing or may be eligible for voluntary central clearing. Although clearing interposes a central clearinghouse as the ultimate counterparty to each participant's swap, central clearing will not eliminate (but may decrease) counterparty risk relative to uncleared bilateral swaps. Some swaps, such as CDX, may be dependent on both the individual credit of the fund's counterparty and on the credit of one or more issuers of any underlying assets. If the fund does not correctly evaluate the creditworthiness of its counterparty and, where applicable, of issuers of any underlying reference assets, the fund's investment in a swap may result in losses to the fund.
- ***Investing in futures contracts*** — In addition to the risks generally associated with investing in derivative instruments, futures contracts are subject to the creditworthiness of the clearing organizations, exchanges and futures commission merchants with which the fund transacts. Additionally, although futures require only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a futures contract could greatly exceed the initial amount invested. While futures contracts are generally liquid instruments, under certain market conditions futures may be deemed to be illiquid. For example, the fund may be temporarily prohibited from closing out its position in a futures contract if intraday price change limits or limits on trading volume imposed by the applicable futures exchange are triggered. If the fund is unable to close out a position on a futures contract, the fund would remain subject to the risk of adverse price movements until the fund is able to close out the futures position. The ability of the fund to successfully utilize futures contracts may depend

in part upon the ability of the fund's investment adviser to accurately forecast interest rates and other economic factors and to assess and predict the impact of such economic factors on the futures in which the fund invests. If the investment adviser incorrectly forecasts economic developments or incorrectly predicts the impact of such developments on the futures in which it invests, the fund could be exposed to the risk of loss.

- ***Hedging*** – There may be imperfect or even negative correlation between the price of the futures contracts and the price of the underlying securities. For example, futures contracts may not provide an effective hedge because changes in futures contract prices may not track those of the underlying securities or indexes they are intended to hedge. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for futures, including technical influences in futures trading, and differences between the financial instruments being hedged and the instruments underlying the standard contracts available for trading. A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected interest rate trends. In addition, a fund's investment in exchange-traded futures and their resulting costs could limit the fund's gains in rising markets relative to those of unhedged funds.
- ***Investing in thinly traded securities*** – There may be little trading in the secondary market for particular bonds or other debt securities, which may make them more difficult to value, acquire, or sell.
- ***Loss of investment*** — An investor may lose money by investing in a fund. The likelihood of loss may be greater if the investor invests for a shorter period of time.
- ***Investments are not guaranteed*** — Investments in a fund or account are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person.
- ***Long-Term Perspective*** – Investors in the fund should have a long-term perspective and be able to tolerate potentially sharp declines in value.
- ***Cybersecurity risks*** — With the increased use of technologies such as the Internet to conduct business, the funds have become potentially more susceptible to operational and information security risks through breaches in cybersecurity. In general, a breach in cybersecurity can result from either a deliberate attack or an unintentional event. Cybersecurity breaches may involve, among other things, infection by computer viruses or other malicious software code or unauthorized access to the funds' digital information systems, networks or devices through "hacking" or other means, in each case for the purpose of misappropriating assets or sensitive information (including, for example, clients' personal information), corrupting data or causing operational disruption or failures in the physical infrastructure or operating systems that support the funds. Cybersecurity risks also include the risk of losses of service resulting from external attacks that do not require unauthorized access to the funds' systems, networks

or devices. For example, denial-of-service attacks on the investment adviser's or an affiliate's website could effectively render the funds' network services unavailable to clients and other intended end-users. Any such cybersecurity breaches or losses of service may cause the funds to lose proprietary information, suffer data corruption or lose operational capacity, which, in turn, could cause the funds to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. In addition, cybersecurity failures by or breaches of the funds' third-party service providers (including, but not limited to, the funds' investment advisers, transfer agents, custodians, administrators and other financial intermediaries) may disrupt the business operations of the service providers and of the funds, potentially resulting in financial losses, the inability of clients to transact business with the funds and of the funds to process transactions, the inability of the funds to calculate its net asset value, violations of applicable privacy and other laws, rules and regulations, regulatory fines, penalties, reputational damage, reimbursement or other compensatory costs and/or additional compliance costs associated with implementation of any corrective measures. Cybersecurity risks may also impact issuers of securities in which the funds invest, which may cause the funds' investments in such issuers to lose value.

- ***Operational Events*** – To the extent that a strategy relies on proprietary and third party data analysis and systems to support investment decision making, there is a risk of software or other technology malfunctions or programming inaccuracies that may impair the performance of these systems. System impairment may negatively impact performance.
- ***Past investment results are not predictive of future investment results.***

Please see each fund's prospectus and statement of additional information, account guidelines, or other disclosure documents for further information on methods of analysis, investment strategies and risks specific to that fund or account.

ITEM 9: DISCIPLINARY INFORMATION

Neither Capital Research and Management Company nor its management persons have been the subject of legal or regulatory findings, or are the subject of any pending criminal proceedings that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our firm.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Capital Research and Management Company is registered as a commodity pool operator and a member of the National Futures Association. Some of Capital Research and Management Company's Associated Persons are also management persons of Capital Research and Management Company and/or one or more of the affiliates listed below. Capital Research and Management Company has the following arrangements that are material to clients or its advisory business with certain affiliated entities. Some of Capital Research and Management Company's directors and executive officers and employees are also directors, officers or employees of one or more affiliates.

Broker-dealer

American Funds Distributors, Inc., a wholly-owned subsidiary of Capital Research and Management Company, is a registered broker-dealer and a member of the Financial Industry Regulatory Authority and Municipal Securities Rulemaking Board. American Funds Distributors, Inc. acts as the principal underwriter and distributor of mutual funds advised by Capital Research and Management Company and its affiliates and provides related services. In addition, certain of Capital Research and Management Company's management persons are registered representatives of American Funds Distributors, Inc. American Funds Distributors, Inc. is also registered as an insurance agency or producer in certain states. American Funds Distributors, Inc. is also an investment adviser which provides investment advisory related services to Capital Research and Management Company's activity related to various wrap-fee programs sponsored by broker-dealers or other financial institutions.

Investment Companies

Capital Research and Management Company serves as investment adviser to investment companies registered under the Investment Company Act of 1940 and other pooled investment vehicles. Capital Research and Management Company will receive advisory and other fees and expenses from each fund based upon the value of the fund's assets; those fees are described in each fund's prospectus and statement of additional information or other disclosure documents.

Other Investment Advisers

Because our funds and our personnel are located around the world, we conduct business through a number of affiliated entities licensed to offer services in various jurisdictions and to perform particular business functions. Though legally distinct, our affiliates function as a unified, global business. We believe that our globally integrated model helps us to serve our clients' needs better. We may engage one or more of our affiliates and their personnel to assist in managing client mandates. For example, we may engage affiliated personnel to provide research, portfolio management or trading services to client accounts.

Capital Research Company, a wholly-owned subsidiary of Capital Research and Management Company, is a registered investment adviser and provides investment advisory research, trading,

and related services to Capital Research and Management Company. This may include managing assets, subject to the supervision and control of Capital Research and Management Company.

American Funds Distributors, Inc., a wholly-owned subsidiary of Capital Research and Management Company, is a registered investment adviser.

Capital Guardian Trust Company is an affiliated registered investment adviser with which Capital Research and Management shares supervised persons. Capital Guardian Trust Company is also a non-depository trust company chartered under California banking laws.

Capital International, Inc. is an affiliated registered investment adviser with which Capital Research and Management Company shares supervised persons.

Capital Bank and Trust Company is an affiliated registered investment adviser with which Capital Research and Management shares supervised persons.

Capital International K.K., a Japan-based investment adviser provides research information and services to Capital Research and Management Company.

Capital International, Inc. and Capital International Limited, an affiliated U.K.-based investment adviser, provide portfolio control, administrative and trading services to Capital Research and Management Company.

In addition, certain portfolio managers employed by Capital Research Company or the following affiliated investment advisers based outside the U.S. may, under the supervision and review of Capital Research and Management Company, determine the securities to be purchased and sold for Capital Research and Managements clients:

Capital International Limited is based in the U.K. and has been authorized by the U.K. Financial Services Authority to provide investment advisory and asset management services.

Capital International Sarl is based in Switzerland and has been authorized by the Financial Markets Supervisory Authority to provide investment advisory services.

Neither Capital International Limited nor Capital International Sarl is registered as an investment adviser under the Investment Advisers Act of 1940 and each is deemed to be a “Participating Affiliate” of Capital Research and Management Company, as this term has been used by the SEC’s Division of Investment Management in various no-action letters granting relief from the Advisers Act’s registration requirements for certain affiliates of registered investment advisers.

Trust Company

Capital Bank and Trust Company, a federal savings bank, is a wholly-owned subsidiary of The Capital Group Companies. Capital Bank and Trust Company provides directed trustee services and custodial services to employer-sponsored retirement plans and individual retirement accounts invested in the American Funds and other outside assets. Capital Bank & Trust

Company also provides investment management and trust services to high net-worth individuals and trusts through its CGPCS division. Capital Bank and Trust Company serves as trustee to certain collective investment trusts.

Unregistered Collective Investment Trust

Capital Research and Management Company serves as the investment adviser to Capital Bank and Trust Company, the trustee of collective investment funds that are exempt from SEC registration. Capital Research and Management Company will receive advisory fees from Capital Bank and Trust as agreed upon in writing from time to time.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Capital Research and Management Company and its affiliated companies have adopted a Code of Ethics for its associates (Code of Ethics) that requires all associates: (1) act with integrity, competence and in an ethical manner; (2) comply with applicable U.S. federal securities laws, as well as all other applicable laws, rules and regulations; and (3) promptly report violations of the Code of Ethics. All associates are required to certify at least annually that they have read and understand the Code. A copy of the Code of Ethics is available to clients and prospective clients upon request and on americanfunds.com.

The Code of Ethics includes:

- Protection of Non-Public Information: Policies and procedures designed to prevent and detect the misuse of material non-public information by our associates. These procedures require all associates who believe they may be in possession of material non-public information regarding an issuer to notify the Legal Department, which will determine the appropriate actions to be taken.
- Personal Investing: Policies related to personal investing by our associates. The policies ban excessive trading of any Capital-managed investment vehicles worldwide, including the American Funds. Associates generally may not participate in the acquisitions of securities in initial public offerings. Additional restrictions apply to associates with access to non-public information relating to current or imminent fund/client transactions, investment recommendations or fund portfolio holdings (covered associates). Covered associates generally may not effect securities transactions for their own account when any investment advisory account is transacting in the issuer in question. All such covered associates must report their securities transactions on a quarterly basis and disclose their holdings annually. Covered associates must pre-clear certain personal security transactions and special review of private placements is required. Additional restrictions and reporting apply to investment professionals, including blackout periods on personal investing and a ban on short-term trading.
- Gifts and Entertainment: Policy prohibiting the acceptance and extension of gifts or entertainment that are excessive, repetitive or extravagant, if such gifts or entertainment are in relation to Capital's business. Procedures include quarterly reporting of gifts or entertainment received or offered, a dollar limit on gifts that can be accepted from any one source during a calendar year, and pre-clearance of entertainment beyond a certain dollar limit.
- Political Contributions: Policy governing political contributions and/or other activities that directly support officials, candidates, or organizations that may be in a position to influence decisions to award business to investment management firms. Specific rules exist for political contributions and activities within the U.S. and associates are required to seek

preclearance and approval for political contributions to state and local government officials (or a candidate for those positions).

Participation or Interest in Client Transactions

In addition, Capital Research and Management Company or its affiliates may recommend that clients invest in limited partnerships, pooled funds or mutual funds managed by the Investment Adviser or its affiliates. Additionally, an affiliate of Capital Research and Management Company, in its fiduciary capacity, may invest client assets in certain of these funds. In all cases, the nature and scope of the financial interest (e.g., investment management fees or economic interest in such partnerships or funds) is disclosed.

Capital Research and Management Company's employees may also purchase shares in certain pooled funds managed by Capital Research and Management Company or an affiliate of Capital Research and Management Company. Such purchases may take place either through their personal account or through retirement plans sponsored by The Capital Group Companies, Inc., the ultimate parent company of Capital Research and Management Company. All such transactions are conducted at net asset value and in accordance with the purchase and redemption provisions as described in either the prospectus or offering memorandum of the fund.

Capital Research and Management Company may manage investments made by it or an affiliate either in a separate account or through investing in a pooled vehicle. In those instances in which Capital Research and Management Company or an affiliate makes an investment in a pooled vehicle, they may be the first participants in such vehicle and may be the only participant for one or more years. Capital Research and Management Company treats these separate and pooled vehicle accounts the same as any client account.

ITEM 12: BROKERAGE PRACTICES

Selecting Broker-Dealers

Portfolio Transactions

Capital Research and Management Company places orders with broker-dealers for its clients' portfolio transactions. Purchases and sales of equity securities on a securities exchange or an over-the-counter market are affected through broker-dealers who receive commissions for their services. Purchases and sales of fixed-income securities and currency foreign exchange transactions are generally made with an issuer or a primary market-maker acting as principal with no stated brokerage commission. Prices for fixed-income securities in secondary trades usually include undisclosed compensation to the market-maker reflecting the spread between the bid and ask prices for the securities. The prices for equity and fixed-income securities purchased in primary market transactions, such as initial public offerings, new fixed-income issues, secondary offerings and private placements, may include underwriting fees.

Best Execution

In selecting broker-dealers, Capital Research and Management Company strives to obtain "best execution" (the most favorable total price reasonably attainable under the circumstances) for its clients' portfolio transactions, taking into account a variety of factors. These factors include the size and type of transaction, the nature and character of the markets for the security to be purchased or sold, the cost, quality, likely speed and reliability of execution and settlement, the broker-dealer's or execution venue's ability to offer liquidity and anonymity and the trade-off between market impact and opportunity costs. Capital Research and Management Company considers these factors, which involve qualitative judgments, when selecting broker-dealers and execution venues for its clients' portfolio transactions. Capital Research and Management Company views best execution as a process that should be evaluated over time as part of an overall relationship with particular broker-dealer firms. In this regard, Capital Research and Management Company does not consider itself as having an obligation to obtain the lowest available commission rate available for a portfolio transaction to the exclusion of price, service and qualitative considerations. Brokerage commissions are only a small part of total execution costs and other factors, such as market impact and speed of execution, contribute significantly to overall transaction costs.

Oversight

The Capital Group Companies Equity Trading Oversight and Best Execution Committee, the Capital Group Companies Brokerage and Outside Research Oversight Committee, and the Capital Group Companies Fixed-Income Best Execution Committee provide oversight to Capital Research and Management Company's policies, procedures and practices relating to best execution.

The Equity Trading Oversight and Best Execution Committee meets periodically to review current equity trading practices and reviews overall quality of execution and trades. The Equity Trading Oversight and Best Execution Committee also reviews equity trading policies and approves changes as appropriate. The Brokerage and Outside Research Oversight Committee oversees Capital Group Companies' commission management program, including the operation of its commission sharing arrangement.

The Fixed-Income Best Execution Committee meets periodically to review current fixed-income trading practices and overall quality of execution for fixed-income and foreign exchange trades.

Commission Rates

Capital Research and Management Company and its affiliates negotiate commission rates with brokers based on what they believe is reasonably necessary to obtain best execution. Capital Research and Management Company and its affiliates do not consider the appropriate commission to necessarily be the lowest available commission, but attempt to maximize the overall benefits received by their clients for their commissions. Commission rates vary based on the nature of the transaction, the market in which the security is traded and the venue chosen for trading, among other factors.

Capital Research and Management Company and its affiliates seek, on an ongoing basis, to determine what the reasonable levels of commission rates are in the marketplace in respect of both execution and research, taking various considerations into account, including the extent to which a broker-dealer has put its own capital at risk, historical commission rates, commission rates that other institutional investors are paying, and the provision of brokerage and research products and services.

Brokerage and Investment Research Services

Capital Research and Management Company and its affiliates may execute portfolio transactions with broker-dealers who provide certain brokerage and/or investment research services to Capital Research and Management Company and its affiliates, either directly or through a commission sharing arrangement, but only when in Capital Research and Management Company's and its affiliates' judgment the broker-dealer is capable of providing best execution for that transaction. The receipt of these services permits Capital Research and Management Company and each affiliate to supplement its own research and analysis and makes available the views of, and information from, individuals and the research staffs of other firms. These services may include, among other things, reports and other communications with respect to individual companies, industries, countries and regions, economic, political and legal developments, as well as scheduling meetings with corporate executives and seminars and conferences related to relevant subject matters. This information may be provided in the form of written reports, telephone contacts and meetings with securities analysts. Capital Research and Management Company and its affiliates consider these services to be supplemental to their own internal research efforts and therefore the receipt of investment research from broker-dealers does not tend to reduce the expenses involved in Capital Research and Management Company's and its affiliates' research efforts. If broker-dealers were to discontinue providing such services it is unlikely Capital

Research and Management Company and its affiliates would attempt to replicate them on their own, in part because such services would no longer provide an independent, supplemental viewpoint. Nonetheless, if it were to attempt to do so, Capital Research and Management Company and its affiliates would incur substantial additional costs. Capital Research and Management Company and its affiliates could be perceived to have an incentive to select a broker-dealer based on their interest in receiving such research services. Capital Research and Management Company and its affiliates have processes in place to minimize the potential for conflicts of interest in this area.

Capital Research and Management Company and its affiliates may pay commissions in excess of what other broker-dealers might have charged for certain portfolio transactions in recognition of brokerage and/or investment research services. In this regard, Capital Research and Management Company and its affiliates have adopted a brokerage allocation procedure consistent with the requirements of Section 28(e) of the U.S. Securities Exchange Act of 1934. Section 28(e) permits an investment adviser to cause an account to pay a higher commission to a broker-dealer to compensate the broker-dealer or another service provider for certain brokerage and/or investment research services provided to Capital Research and Management Company and its affiliates, if Capital Research and Management Company and each affiliate makes a good faith determination that such commissions are reasonable in relation to the value of the services provided to Capital Research and Management Company and its affiliates in terms of that particular transaction or Capital Research and Management Company's or its affiliates' overall responsibility to their clients.

Certain brokerage and/or investment research services may not necessarily benefit all accounts paying commissions to a broker-dealer, therefore, Capital Research and Management Company and its affiliates assess the reasonableness of commissions in light of the total brokerage and investment research services provided to Capital Research and Management Company and its affiliates. Further, research services may be used by all investment associates of Capital Research and Management and its affiliates, regardless of whether they advise accounts with trading activity that generates eligible commissions. In accordance with its internal brokerage allocation procedure, Capital Research and Management Company and its affiliates periodically assess the brokerage and investment research services provided by each broker-dealer and each other service provider from whom they receive such services.

As part of ongoing relationships, Capital Research and Management Company and its affiliates routinely meet with firms to discuss the level and quality of the brokerage and research services provided, as well as the value and cost of such services. In valuing the brokerage and investment research services Capital Research and Management Company and its affiliates receive from broker-dealers and other research providers in connection with their good faith determinations of reasonableness, Capital Research and Management Company and its affiliates take various factors into consideration, including the quantity, quality and usefulness of the services to Capital Research and Management Company and its affiliates. Based on this information and applying their judgment, Capital Research and Management Company and its affiliates set an annual research budget.

Research analysts and portfolio managers periodically participate in a research poll to determine the usefulness and value of the research provided by individual broker-dealers and research providers. Based on the results of this research poll, Capital Research and Management Company and its affiliates may, through commission sharing arrangements with certain broker-dealers, direct a portion of commissions paid to a broker-dealer to be used to compensate the broker-dealer for proprietary research or to be paid to a third-party research provider for research it has provided. Capital Research and Management Company and its affiliates believe that by allocating eligible commissions between research and execution they are better able to obtain the highest quality execution and research services. While Capital Research and Management Company and its affiliates may negotiate commission rates and enter into commission sharing arrangements with certain broker-dealers with the expectation that such broker-dealers will be providing brokerage and research services, none of Capital Research and Management Company, any of its affiliates or any of their clients incurs any obligation to any broker-dealer to pay for research by generating trading commissions.

Cross Trades

As part of its authority to invest client assets on a discretionary basis, Capital Research and Management Company may place cross-trades between client accounts managed by Capital Research and Management Company and its affiliates from time to time. Capital Research and Management Company recognizes that a potential conflict of interest may exist when placing trades between client accounts. To address such potential conflicts, Capital Research and Management Company maintains cross-trade policies and procedures and places a cross-trade under those limited circumstances when such a trade: (a) is in the best interest of all participating clients and (b) is not prohibited by the participating clients' investment management agreement or applicable law.

Exchange or alternative trading system ownership

Capital Research and Management Company currently owns an interest in IEX Group and Luminex Trading and Analytics. Capital Research and Management Company may place orders on these or other exchanges or alternative trading systems in which it, or one of its affiliates, has an ownership interest, provided such ownership interest is less than five percent of the total ownership interests in the entity. Capital Research and Management Company is subject to the same best execution obligations when trading on any such exchange or alternative trading system.

Sale of Fund Shares Not Considered

Capital Research and Management Company may place orders for a client's portfolio transactions with broker-dealers who have sold shares in the funds managed by Capital Research and Management Company or its affiliated companies; however, it does not consider whether a broker-dealer has sold shares of the funds managed by Capital Research and Management Company or its affiliated companies when placing any such orders for a client's portfolio transactions.

Client Referrals

Capital Research and Management Company does not consider client referrals from a broker-dealer or third party in selecting or recommending broker-dealers.

Directed Brokerage

Capital Research and Management Company does not direct any trading activity for its mutual fund clients to a particular broker-dealer based on instructions from a fund. In some instances, an affiliate of Capital Research and Management Company will accept a client's instructions to direct a portion of the account's brokerage commissions to a particular broker or group of brokers so long as the direction is consistent with such affiliate's policy of seeking best execution. The affiliate's ability to meet client direction requests will depend on the broker(s) selected by the client and the securities and markets in which the account invests, among other factors. Furthermore, Capital Research and Management Company accepts requests to direct brokerage from clients who are subject to ERISA only if the client's direction program complies with ERISA.

Where Capital Research and Management Company is retained as an investment adviser under certain wrap fee programs sponsored by broker-dealers or other financial institutions, Capital Research and Management Company does not negotiate brokerage commissions for the execution of equity transactions in the wrap fee program accounts that are executed by or through the sponsor. These commissions are generally included in the "wrap fee" charged by the sponsor. Please also refer to the disclosure under the heading "Managed Account Programs" in this Brokerage Practices Section for more information about the handling of securities trading with respect to such programs.

Certain managed account program clients direct Capital Research and Management Company to place all trades for equity accounts through the client's custodian or third party platform and/or their affiliates. These directed trades will not be subject to Capital Research and Management Company's policy of seeking best execution and are not aggregated with trades for Capital Research and Management Company's other clients and funds. In these cases, Capital Research and Management Company will not negotiate commissions for such accounts or otherwise monitor the execution of trades. These accounts may therefore pay higher commissions than those that do not direct brokerage in this way. Further, such trades may be executed subsequent to trades for other Capital Research and Management Company accounts. With directed brokerage arrangements of this type, Capital Research and Management Company cannot assure clients that they will be able to obtain best execution and these clients should confirm with their custodian that they are able to provide best execution of transactions.

Aggregation and Allocation of Portfolio Transactions

Frequently, Capital Research and Management Company places orders to purchase or sell the same security for a number of clients of Capital Research and Management Company and its affiliates that are advised by the same investment division. Capital Research and Management Company typically aggregates such orders when they are substantially similar. As an aggregated

order is executed, securities are allocated to clients in accordance with Capital Research and Management Company's allocation policy summarized below. Capital Research and Management Company believes that placing aggregated or "block" trades is consistent with its duty to seek best execution. Capital Research and Management Company may not aggregate certain trades only when it believes that doing so will not have a material impact on the price or quality of other transactions.

This policy is designed to allocate trades of the same security to clients in a fair and equitable manner over time, taking into consideration the interests of each client. Non-investment factors, such as fee arrangements, are not considered in selecting clients or allocating trades.

Equity Securities

When executing portfolio transactions in the same equity security for the funds, or portion of funds, or other client accounts, over which Capital Research and Management Company, through its equity investment divisions, has investment discretion, each of the divisions normally aggregates its respective purchases or sales and executes them as part of the same transaction or series of transactions. In addition, the Capital International Investors division of Capital Research and Management Company normally aggregates its purchases or sales with those of certain affiliates that provide investment management services to institutional clients and other accounts and executes them as part of the same transaction or series of transactions.

As an aggregated order is filled, executed equity trades are generally allocated pro rata to clients based on the authorized order size for each client at the time the trade is executed. All clients receive shares at the average execution price and pay a pro rata portion of all transaction costs. Allocated amounts will be rounded to take into account Capital Research and Management Company's and market practices for lot sizes.

Additional equity authorizations. If an additional order to purchase or sell a security is placed after the trader has begun to work the initial orders, executed trades are allocated to participating funds and accounts based on the initial orders and then a new allocation process begins based on the remaining open orders and the new orders. Under certain circumstances, traders are given discretion to include orders they receive after the trader has started to work an initial order with the initial aggregated order for allocation purposes. This may occur for example when an analyst has issued a recommendation in the morning and not all managers have had the opportunity to hear the recommendation before the start of trading or an order for the same security is subject to additional compliance approvals. The traders have discretion to allocate on this basis when to do so will be fair and equitable to all participating funds and accounts.

Special instructions. In certain circumstances, special portfolio manager instructions or other factors may result in a different allocation. For example, a portfolio manager may place an order for a particular fund or account subject to a price limit. If other open orders are not subject to the price limit, trades executed above the limit (in the case of purchases) or below the limit (in the case of sales) would be allocated without regard to the order with special instructions. Occasionally when there is a relatively small remaining open order and a very large new order is

placed, trading may complete the small order before proceeding with the larger new order, rather than aggregating the orders.

Program and list trades. Capital Research and Management Company and its affiliates serve as investment adviser for certain accounts that are designed to be substantially similar to another account. This type of account will often generate a large number of relatively small trades when it is rebalanced to its reference fund due to differing cash flows or when the account is initially started up. Capital Research and Management Company may not aggregate program trades or electronic list trades executed as part of this process. Non-aggregated trades performed for these accounts will be allocated entirely to that account. This is done only when Capital Research and Management Company believes doing so will not have a material impact on the price or quality of other transactions.

Minimum allocation size. Often, a single aggregated order may be executed in a series of smaller transactions over a period of time. In those circumstances, some clients, particularly those that represent a small portion of an aggregated order, may incur significant trade ticket, custody and related fees due to multiple allocations. To reduce the transaction costs that clients may incur as a result of small allocations, Capital Research and Management Company may observe a minimum transaction size per client account. These minimums may vary by client account in an effort to treat all clients fairly and equitably.

Initial Public Offerings

Clients are selected to participate in initial public offerings of equity securities (“IPOs”) in the same manner as described above. The trading department aggregates authorized orders it receives for IPOs and places a block trade with the underwriting syndicate.

If the resulting allocation we receive from the underwriting syndicate is not sufficient to fill all orders, each equity investment division generally allocates the transaction on a pro rata basis based on each account’s authorized order size, unless the relevant investment committee approves another allocation. In certain circumstances orders may be placed based on approximate fund asset size; however, no fund will be allocated more than its indication.

Fixed-Income Securities

When executing portfolio transactions in the same fixed-income security for the funds and other clients over which Capital Research and Management Company or one of its affiliated companies has investment discretion, Capital Research and Management Company normally aggregates such purchases or sales and executes them as part of the same transaction or series of transactions.

Fixed-income investment professionals select participating client accounts and place trade orders with the fixed-income trading department. Most trades are allocated on the day the trade is executed (“trade date”), but trades may be allocated on the next business day after the trade date. Executed trades are allocated considering portfolio guidelines and a variety of other factors,

including: (1) other securities held in the portfolios; (2) appropriateness of the security for the portfolios' objectives; (3) industry/sector, issue/issuer holdings, portfolio analytic data; (4) size of the portfolios; (5) the size of the confirmed, executed transaction; (6) invested position of the portfolio; and (7) marketability of the security. Once a fixed-income trade has been executed and participating client accounts are identified as described above, all accounts receive the same purchase price when participating in a block trade.

Managed Account Programs

When Capital Research and Management Company serves as investment adviser under wrap fee programs, equity portfolio transactions are typically executed by the sponsor firm. When Capital Research and Management Company serves as investment advisor under a dual contract program the client directs Capital Research and Management Company to trade equity securities through the client's custodian, third party platform or one of their affiliates. As a result, equity transactions for managed account program accounts are generally not aggregated with orders for other accounts for which Capital Research and Management Company or an affiliate serves as investment manager. Managed account program accounts therefore may not receive the same quality of execution that Capital Research and Management Company and its affiliates are able to obtain for other advisory clients.

Capital Research and Management Company may have discretion to select broker-dealers to execute trades for the equity wrap fee program advisory accounts it manages. However, Capital Research and Management Company generally places such trades through the sponsor because the wrap fee paid by each wrap fee program accounts typically only covers execution costs on equity trades executed through the sponsor or its affiliates. Such trades may be executed subsequent to trades for other Capital Research and Management Company accounts. If Capital Research and Management Company selects a broker-dealer other than the sponsor or its affiliates to affect an equity trade for a wrap fee program account, any execution costs charged by that other broker-dealer typically will be charged separately to the wrap fee program account and the wrap fee program account may incur these costs above and beyond its wrap fee. Investors who enroll in wrap fee programs should satisfy themselves that the sponsor is able to provide best execution of transactions.

Capital Research and Management Company may provide similar investment management services to multiple managed account program clients, and this may result in investment recommendations for the same security being provided to multiple program sponsors at a similar time. In such cases, Capital Research and Management Company may rotate the order in which it places equity transactions among the relevant sponsors or other trading entities under dual contract programs. Capital Research and Management Company uses a rotation methodology designed to avoid systematically favoring one entity over another and to treat similarly situated groups of accounts equitably over time. Capital Research and Management Company may provide portfolio transaction instructions simultaneously in lieu of using the rotation methodology if, for example, the trade represents a relatively small proportion of the average daily trading volume of the particular security.

Capital Research and Management Company and its affiliates manage investment company, institutional and other accounts with similar or identical investment objectives, as well as accounts with different objectives that may trade in the same securities as the managed account program accounts managed by Capital Research and Management Company. These other accounts will not be rotated with managed account program accounts, and will trade prior to managed account program accounts a high percentage of the time. As a result, the market price of securities may rise or fall before a managed account program transaction is executed (and, in certain circumstances, as a direct result of other portfolio transactions placed by, or on the advice of, Capital Research and Management Company or its affiliates), causing managed account program accounts to purchase the same securities at a higher price (or sell the same securities at a lower price) than Capital Research and Management Company and its affiliates. Institutional or other discretionary accounts of Capital Research and Management Company and its affiliates may therefore over time obtain better execution, including more favorable prices for their transactions, than managed account program accounts purchasing or selling the same securities. See above under the heading “Directed Brokerage” for more information about the handling of equity security trading with respect to such programs.

Fixed-Income portfolio transactions for managed account program accounts are generally executed by Capital Research and Management Company or its affiliates. Transactions in the same fixed income security for managed account program accounts will generally be aggregated with transactions for funds, accounts and other clients over which Capital Research and Management Company or one of its affiliated companies has investment discretion, as described above under the heading “Fixed-Income Securities.”

Forward Currency Exchange Transactions

Capital Research and Management Company generally executes foreign currency transactions for funds over which it has investment discretion directly through broker-dealers; however, a fund's custodian may be used to execute certain foreign exchange transactions. These include transactions in markets with legal restrictions or operational risks that make executing directly in those markets impractical.

ITEM 13: REVIEW OF ACCOUNTS

Capital Research and Management Company compliance and investment control associates monitor funds and accounts on an on-going basis and perform periodic reviews. This monitoring and review is conducted to verify that funds are in compliance with their objectives and guidelines. In addition, certain portfolio data for funds and accounts is periodically reviewed by investment professionals, including portfolio managers, in the relevant investment committee. The boards of directors/trustees of each of the American Funds are furnished the following information: audited semiannual and annual financial statements, registration statements and proxy material. Additional information concerning portfolio activity and results are presented at meetings of the boards held at least quarterly, and extensive additional information is furnished, generally annually, in connection with investment advisory agreement renewals. The boards of the Capital International Fund (Luxembourg), the Capital International Assets Management (Canada), Inc. and the trustees of the collective investment trusts are furnished audited annual and unaudited semiannual financial statements, and additional information concerning portfolio activity and results. Other information (e.g. foreign country registration and service agreements) is furnished as needed.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Capital Research and Management Company and its affiliates compensate certain other affiliates for client relations and marketing services.

Capital Research and Management Company's affiliates may from time to time compensate third parties for client referrals pursuant to a written solicitation agreement. The solicitor must provide the affiliate with a copy of the solicitor's separate written disclosure document provided to the client. No solicitation payments may be made prior to the affiliate receiving a signed copy of the solicitation agreement and client acknowledgement letter that contains the applicable referral fee disclosures and acknowledgement of the fee arrangement.

ITEM 15: CUSTODY

Capital Research and Management Company does not retain custody of client funds or securities.

ITEM 16: INVESTMENT DISCRETION

Capital Research and Management Company is generally retained by the funds, accounts and other clients it advises on a discretionary basis pursuant to an investment advisory agreement, or in the case of Capital International Asset Management (Canada), Inc. a sub-advisory agreement. Capital Research and Management Company is authorized by these funds, accounts and clients to, among other things, determine without consultation with the fund or its board of directors/trustees:

- what securities are to be bought or sold;
- the amount of securities to be bought or sold;
- the prices at which securities are to be bought or sold;
- the broker or dealer to be used; and
- the commissions to be paid.

In all cases, such discretion is to be exercised in accordance with the applicable fund's, account's, program's or other client's objectives, policies and restrictions.

Capital Research and Management Company is the investment adviser to Capital Bank and Trust Company, with respect to certain collective investment trusts, for which Capital Bank and Trust Company is the discretionary trustee.

Capital Research and Management Company may provide non-discretionary investment advisory services, in which it provides a program sponsor with non-discretionary recommendations to assist the sponsor in the development of one or more portfolios that the sponsor may determine to be suitable for its end investors.

ITEM 17: VOTING CLIENT SECURITIES

Capital Research and Management Company accepts proxy voting authority from its clients and follows its Proxy Voting Policy and Procedures, which are summarized below. If Capital Research and Management Company has voting authority for a client account, it generally does not provide the client the option to direct a proxy vote with respect to a particular solicitation.

Capital Research and Management Company, in consultation with the boards of directors/trustees of the funds it manages, has adopted Proxy Voting Procedures and Principles (the “Principles”) with respect to voting proxies of securities held by the funds and other accounts it manages. Proxies are voted by a committee of the appropriate equity investment division of Capital Research and Management Company under authority delegated by the funds’ boards, and Capital Research and Management Company’s other clients. Therefore, if more than one fund or account invests in the same company, they may vote differently on the same proposal. In addition, the boards of the American Funds monitor the proxy voting process and generally provide guidance with respect to the Principles through a joint proxy committee of the American Funds.

In cases where an American Fund is co-managed and a portfolio company is held by more than one of Capital Research and Management Company’s equity investment divisions, voting ties are resolved by one of the following methods. For those funds that have delegated tie-breaking authority to Capital Research and Management Company, the outcome will be determined by the equity investment division or divisions with the larger position in the portfolio company as of the record date for the shareholder meeting. For the remaining funds, members of the joint proxy committee representing those funds will determine the outcome based on a review of the same information provided to the relevant investment analysts, proxy coordinators and proxy committee members.

All U.S. proxies are voted. Proxies for companies outside the U.S. also are voted, provided there is sufficient time and information available. After a proxy statement is received, the investment adviser prepares a summary of the proposals contained in the proxy statement. A notation of any potential conflicts of interest also is included in the summary. For proxies of securities managed by a particular investment division of Capital Research and Management Company, the initial voting recommendation is made by one or more of the division’s investment analysts familiar with the company and industry. A second recommendation is made by a proxy coordinator (an investment analyst or other individual with experience in corporate governance and proxy voting matters) within the appropriate investment division, based on knowledge of these Principles and familiarity with proxy-related issues. The proxy summary and voting recommendations are made available to the appropriate proxy voting committee for a final voting decision.

In addition to Capital Research and Management Company’s proprietary proxy voting, governance and executive compensation research, Capital Research and Management Company may utilize research provided by Institutional Shareholder Services (ISS), Glass-Lewis & Co. or other third party advisory firms (“Advisory Firms”) on a case-by-case basis. We do not, as a

policy, follow the voting recommendations provided by these firms. We periodically assess the information provided by the Advisory Firms, as appropriate.

From time to time Capital Research and Management Company may vote proxies issued by, or on proposals sponsored or publicly supported by (1) a client with substantial assets managed by Capital Research and Management Company or its affiliates, (2) an entity with a significant business relationship with the organization, or (3) a company with a director of an American Fund on its board (each referred to as an “Interested Party”). Other persons or entities may also be deemed an Interested Party if facts or circumstances appear to give rise to a potential conflict. Capital Research and Management Company analyzes these proxies and proposals on their merits and does not consider these relationships when casting its vote.

Capital Research and Management Company has developed procedures to identify and address instances where a vote could appear to be influenced by such a relationship. Under the procedures, prior to a final vote being cast by Capital Research and Management Company, the relevant proxy committees’ voting results for proxies issued by Interested Parties are reviewed by a Special Review Committee (“SRC”) of the investment division voting the proxy if the vote was in favor of the Interested Party.

If a potential conflict is identified according to the procedure above, the SRC will be provided with a summary of any relevant communications with the Interested Party, the rationale for the voting decision, information on the organization’s relationship with the party and any other pertinent information. The SRC will evaluate the information and determine whether the decision was in the best interest of fund shareholders. It will then accept or override the voting decision or determine alternative action. The SRC includes senior investment professionals and legal and compliance professionals.

The Principles, which have been in effect in substantially their current form for many years, provide an important framework for analysis and decision-making by all funds. However, they are not exhaustive and do not address all potential issues. The Principles provide a certain amount of flexibility so that all relevant facts and circumstances can be considered in connection with every vote. As a result, each proxy received is voted on a case-by-case basis considering the specific circumstances of each proposal. The voting process reflects the funds’ understanding of the company’s business, its management and its relationship with shareholders over time.

Information regarding how the American Funds voted proxies relating to portfolio securities during the 12- month period ended June 30 of each year will be available on or about September 1 of each year (a) without charge, upon request by calling American Funds Service Company at 800/421-4225, (b) on the American Funds website and (c) on the SEC’s website at sec.gov.

The following summary sets forth the general positions of the funds and Capital Research and Management Company on various proposals. A copy of the full Principles for the American Funds is available upon request, free of charge, by calling American Funds Service Company or visiting the American Funds website at americanfunds.com.

Director matters — The election of a company's slate of nominees for director generally is supported. Votes may be withheld for some or all of the nominees if this is determined to be in the best interest of shareholders or if, in Capital Research and Management Company's opinion, they have not fulfilled their fiduciary duties. Separation of the chairman and CEO positions also may be supported.

Governance provisions — Typically, proposals to declassify a board (elect all directors annually) are supported based on the belief that this increases the directors' sense of accountability to shareholders. Proposals for cumulative voting generally are supported in order to promote management and board accountability and an opportunity for leadership change. Proposals designed to make director elections more meaningful, either by requiring a majority vote or by requiring any director receiving more withhold votes than affirmative votes to tender his or her resignation, generally are supported.

Shareholder rights — Proposals to repeal an existing poison pill generally are supported. (There may be certain circumstances, however, when a proxy voting committee of a fund or an investment division of Capital Research and Management Company believes that a company needs to maintain anti-takeover protection.) Proposals to eliminate the right of shareholders to act by written consent or to take away a shareholder's right to call a special meeting typically are not supported.

Compensation and benefit plans — Option plans are complicated, and many factors are considered in evaluating a plan. Each plan is evaluated based on protecting shareholder interests and a knowledge of the company and its management. Considerations include the pricing (or repricing) of options awarded under the plan and the impact of dilution on existing shareholders from past and future equity awards. Compensation packages should be structured to attract, motivate and retain existing employees and qualified directors; however, they should not be excessive. For advisory votes on compensation we generally support management proposals unless we have specific concerns about compensation at a particular company. If we are dissatisfied with a component of the overall compensation policy we generally vote against these proposals in order to deliver a consistent message to company management. With respect to the frequency of Say-on-Pay proposals, we generally support the triennial option (every three years), but also may consider supporting an annual vote for certain industries or companies where we historically have had concerns about compensation

Routine matters — The ratification of auditors, procedural matters relating to the annual meeting and changes to company name are examples of items considered routine. Such items generally are voted in favor of management's recommendations unless circumstances indicate otherwise.

ITEM 18: FINANCIAL INFORMATION

Capital Research and Management Company does not generally require or solicit pre-payment of fees; however, certain sponsors of wrap fee programs may pay Capital Research and Management Company fees in advance of its provision of services related to such program, but in no case more than six months in advance. Investors who enroll in wrap fee programs should refer to their disclosure documents from the sponsor for details on programs that may require payment in advance and the treatment of fees upon termination of an account.

Capital Research and Management Company is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS
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Capital Research and Management Company is not registered with any state securities authority.