



**CAPITAL INTERNATIONAL, INC.**

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Form ADV, Part 2A  
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This brochure provides information about the qualification and business practices of Capital International, Inc. ("CIInc"). Throughout this brochure and related materials, CIInc 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](mailto: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 CIInc also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

<b>ITEM 2: MATERIAL CHANGES</b>
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There have been no material changes since the last update of Capital International, Inc.'s Form ADV, Part 2A brochure dated September 28, 2017.

### 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.....14
7	Types of Clients.....15
8	Methods of Analysis, Investment Strategies and Risk of Loss.....16
9	Disciplinary Information.....26
10	Other Financial Industry Activities and Affiliations.....27
11	Code of Ethics.....30
12	Brokerage Practices.....32
13	Review of Accounts.....41
14	Client Referrals and Other Compensation.....42
15	Custody.....43
16	Investment Discretion.....44
17	Voting Client Securities .....45
18	Financial Information.....47
19	Requirements for State-Registered Advisers.....48

#### ITEM 4: ADVISORY BUSINESS

CIInc was incorporated in California in 1987 primarily to provide investment advisory services to funds and clients investing in emerging markets equities. CIInc is a wholly-owned subsidiary of Capital Group International, Inc. which in turn is owned by Capital Research and Management Company, which is wholly owned by The Capital Group Companies, Inc. The Capital Group Companies form one of the most experienced families of investment management firms in the world, dating to 1931, and have always been privately held.

CIInc provides investment management and advisory services to a registered investment company, other pooled investment vehicles exempt from registration, corporate entities, pension plans, endowments and foundations, certain affiliated companies, foreign governmental entities and other institutions. -Additionally, CIInc may serve as the investment advisor to the trustee of privately-offered collective investment trusts that are exempt from SEC registration.

CIInc's investment approach is based on rigorous fundamental research. Research is produced for internal use only, and is not published or sold to external parties. It offers emerging markets equities and other non-U.S. investment strategies based on the investment objectives of its clients. It also manages emerging markets private equity funds. CIInc normally agrees with clients on investment guidelines that set forth the objectives of the account and any specific investment restrictions and limitations. The guidelines typically describe the investment mandate and types of securities that are eligible for (or prohibited from) the account. For investments in funds, the terms of the fund's governing documents will apply. Please also refer to Items 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and 16 (Investment Discretion) in this brochure for further information.

CIInc's only business is investment management; it does not have any arrangements on behalf of clients with associated banking, brokerage, custodian or corporate finance businesses.

CIInc also provides investment management to individuals, corporations, foundations, trusts and other investors through wrap fee programs or separate account client programs ("managed account programs"). Wrap fee programs are generally sponsored by broker-dealers or other financial institutions and offered by the sponsor as bundled investment management, custody, brokerage or other services for a single "wrap fee" charged by the sponsor. In a wrap fee program, a participant enters into an advisory agreement with the sponsor and the sponsor enters into an agreement with CIInc. A separate account client enters into an investment advisory agreement with CIInc. Separate account clients are generally managed in a manner similar to wrap programs as discussed throughout this brochure. In cases where CIInc is an investment adviser to a wrap program, clients are typically not charged separate 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. Consequently, a significant portion of equity portfolio transactions are typically executed by the sponsor firm. Fixed-income transactions for wrap programs are generally executed by broker-dealers other than the sponsor selected by CIInc or its affiliate. Please also refer to the "Managed Account Programs" section under Item 12 (Brokerage Practices) in this brochure for further information. For some wrap fee programs, CIInc may only provide model portfolios to the sponsor and the sponsor will have ultimate decision making and discretionary authority for those accounts.

Generally, CIInc is paid an investment management fee by the sponsor, which could be considered a portion of the wrap fee. Clients who enroll in wrap fee programs should carefully review the fee structure and other program documents provided by the sponsor.

CIInc typically builds portfolios for funds and accounts 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 or account's objective, policies and restrictions and the oversight of the appropriate investment-related committees. CIInc offers equity, fixed-income, balanced, and other customized investment strategies based on the investment objectives of CIInc clients. CIInc normally agrees to investment guidelines with clients that set forth the objectives of the account and any specific investment restrictions and limitations. The guidelines typically describe the investment mandate and types of securities that are eligible for (or prohibited from) the account. For investments in funds, the terms of the fund's governing documents will apply. Please also refer to Items 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and 16 (Investment Discretion) in this brochure for further information.

As of June 30, 2018, CIInc managed approximately \$10,281,400,000 in client assets (regulatory assets under management) on a discretionary basis and did not manage any client assets on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

Generally, fees are not negotiable. In addition to the fee schedules outlined below, different fee schedules may apply for smaller investments, long standing clients, as well as clients with customized mandates or special service needs. For certain investors, CIInc may have a separate performance related fee as discussed in Item 6 (Performance Based Fees and Side-By-Side Management). Client accounts also incur brokerage and other transaction costs. For further details on CIInc's brokerage policies, please refer to Item 12 (Brokerage Practices) of this brochure.

Sales and marketing professionals may receive direct or indirect compensation related to the services CIInc or its affiliates provide. This presents a conflict of interest, as marketing and sales associates have an incentive to recommend CIInc's or its affiliates' services because of the compensation they are provided by CIInc.

CIInc investment advisory services are also available through various consulting, or bundled "wrap fee" programs sponsored by certain unaffiliated broker-dealers or other financial institutions where the sponsor offers bundled investment management, custody, brokerage or other services for a single fee. Fees charged by CIInc to the wrap program's sponsor for such services will vary based on the relationship, services provided and other factors. The "wrap fee" paid by the client to the sponsor, which includes the fee for advisory services provided by CIInc is generally based on a percentage of assets. Clients should contact their program sponsor for more information on fees in connection with such programs.

Fees charged to sponsors generally fall within the following ranges:

U.S. Equity: 0.28% - 0.51%  
Non-U.S. / Global Equity: 0.35% - 0.56%  
U.S. Fixed Income: 0.22% - 0.30%

Sponsor firms should refer to their agreements with CIInc for details on the fee schedule that applies for their relationship.

### **Calculation of Fees**

Generally, investment management fees are calculated at each quarter end, based on the market or appraised value of the account at such time, and are charged quarterly and payable in arrears. With regard to clients who invest in registered investment companies or other pooled investment vehicles where the management fee is charged within the fund, a retrocession may be applicable to achieve a lower management fee than that of the fund due to the overall size of the client relationship or other qualifying factors.

With regard to clients investing in managed account programs, fees will be prorated for partial periods and generally calculated quarterly in arrears based on the average daily market value or appraised value of the account, as determined in good faith by CIInc.

Third party sponsors of certain managed account programs may choose to calculate the fees for clients in their program. These sponsors may use different fee calculation methodologies. Refer

to your Investment Management Agreement and the ADV of the sponsor of your managed account program for further details.

### **Minimum Account Size**

Please see the fee schedules below for the minimum account size for each mandate and vehicle. In some instances, the minimum may be waived due to the overall size of the client relationship or other factors.

### **Other Fees and Expenses for Funds**

Generally, operating expenses, including expenses for custody, audit and administration services are charged internally to each fund, and are reflected in the net asset value of each fund; such expenses may be higher in certain funds given higher administrative costs associated with operating the fund and/or the nature of the investments. For additional information regarding the pooled investment vehicles, please refer to their offering documents.

### **Fee Discounts**

A management fee discount, as well as additional breakpoints, may be available to eligible accounts.

### **CIInc's Fee Schedule for Pooled Investment Vehicles**

The following investment management fees apply to specific pooled investment vehicles.

The fees charged may vary, depending upon the complexity of the investment management services required by, and provided to, each client. For additional information regarding the pooled investment vehicles, please refer to their offering documents.

#### **Capital Group Global Equity Fund (AU)**

Flat Rate: 0.96%

#### **Capital Group Global Equity Fund (Hedged) (AU)**

Flat Rate: 0.96%

#### **Capital Group World Dividend Growers (AU)**

Flat Rate: 0.95%

#### **Capital Group World Dividend Growers Hedged (AU)**

Flat Rate: 0.95%

#### **Capital Group New Perspective Fund (AU)**

Flat Rate: 0.95%

#### **Capital Group New Perspective Fund Hedged (AU)**

Flat Rate: 0.95%

**Capital Group New World Fund (AU)**

Flat Rate: 1.18%

**Capital Group New World Fund Hedged (AU)**

Flat Rate: 1.18%

**Capital Emerging Markets Total Opportunities Fund (AU)**

Flat Rate: 1.18%

Fees associated with the products above apply in accordance with the applicable governing documents of the funds. In certain cases, a retrocession may be applicable to achieve a lower management fee than that of the fund due to the overall size of the client relationship or other qualifying factors. Retrocession arrangements vary based on a number of factors and are agreed upon in writing with clients as outlined in their retrocession agreement.

**Capital International Private Equity Fund IV, L.P., Capital International Private Equity Fund V, L.P. and Capital International Private Equity Fund VI, L.P.**

CIInc receives a management fee at the rate of 1.5% per annum (payable quarterly in advance) of the total capital committed by the limited partners until the expiration of the five-year commitment period or earlier, upon the occurrence of certain specified events. Thereafter and until dissolution and liquidation of the partnership, CIInc will receive a management fee at the rate of 1.0% per annum (payable quarterly in advance) of the total capital invested by the limited partners in investments held by the partnership as of the end of the immediately preceding quarter. CIInc may also receive a carried interest profit allocation in respect of profits received by the limited partners, subject to satisfying specified criteria. CIInc or its affiliates may charge portfolio companies directors' fees, transaction fees, advisory fees or other similar fees. Such fees received by CIInc or its affiliates (net of any incurred unreimbursed expenses) will be mostly or wholly offset against the management fees paid by the limited partners.

As noted in the "Other Fees and Expenses for Funds" and in the governing documents of each partnership, the costs, expenses and liabilities arising out of the operation and activities of the partnership are borne by the limited partners. These include the fees and expenses relating to potential and consummated investments, including costs associated with the evaluation, acquisition, monitoring and exit thereof. Examples include legal and tax advisors, due diligence consultants and advisors and related travel costs. Fund expenses also includes certain organizational expenses in connection with the formation of the partnership; on-going legal, custodial, and auditing expenses; accounting, tax service and corporate administration provider expenses; expenses associated with the annual meeting of limited partners and advisory committees meetings (including the reimbursement of advisory committee members for travel to such meetings); insurance premiums; and other specified items.

**CIInc's Fee Schedule for Separate Account Clients**

With respect to clients whose base currency is not the U.S. dollar, asset breakpoints are approximate because local currency fee schedules apply.



## **Equity**

### **Single Country Equity Investment Mandates: Japan, U.S.**

<u>Assets:</u>	<u>Rate:</u>
First \$25 million	0.600%
\$25 million to \$50 million	0.450%
\$50 million to \$750 million	0.325%
\$750 million to \$1.5 billion	0.275% <sup>1</sup>
Over \$1.5 billion	0.250% <sup>1</sup>

<sup>1</sup> The incremental annual fee rate which occurs at these breakpoints will only be applied for clients with mandate specific assets greater than the applicable breakpoint.

Separate account minimum size: \$50 million

**Global Equity**  
**World Dividend Grower**  
**Asia Pacific Equity**  
**Asia Pacific Equity ex-Japan**  
**European Equity**  
**International Equity**  
**International All Countries Equity**  
**International Plus Equity**  
**Absolute Income Grower**

<u>Assets:</u>	<u>Rate:</u>
First \$25 million	0.700%
\$25 million to \$50 million	0.550%
\$50 million to \$250 million	0.425%
Over \$250 million	0.375%

Minimum account size:  
Separate accounts: \$50 million

### **Global Growth**

<u>Assets:</u>	<u>Rate:</u>
First \$25 million	0.700%
\$25 million to \$50 million	0.550%
\$50 million to \$250 million	0.425%
\$250 million to \$400 million	0.375%

At \$400 million	0.430% on all assets
At \$1 billion	0.400% on all assets

Separate account minimum size: \$100 million

## **Global Emerging Markets Equity**

<u>Assets:</u>	<u>Rate:</u>
First \$300 million	0.900%
Over \$300 million	0.800%

Minimum account size:  
Separate accounts: \$100 million

## **Fixed-Income**

Fixed Income Investment Mandates generally have a separate account minimum size of \$100 million. A \$200 million minimum may apply for customized mandates.

### **U.S. Core Fixed-Income** **EU Aggregate Fixed-Income**

<u>Assets:</u>	<u>Rate:</u>
First \$50 million	0.300%
\$50 million to \$100 million	0.200%
\$100 million to \$300 million	0.180%
Over \$300 million	0.150%

Minimum account size:  
Separate accounts: \$100 million

## **Long Duration Fixed-Income**

For separate accounts and CITs with externally charged management fees:

Accounts less than \$300 million (incremental schedule):

<u>Assets:</u>	<u>Rate:</u>
First \$50 million	0.30%
\$50 million to \$100 million	0.20%
\$100 million to \$300 million	0.18%

Accounts above \$300 million (flat rates on all assets):

<u>Account size:</u>	
\$300 million to \$1 billion	0.15%
\$1 billion to \$2 billion:	0.13%
\$2 billion to \$3 billion:	0.11%
Over \$3 billion:	0.10%

Minimum account size:  
Separate accounts: \$100 million

## **U.S. Investment-Grade Credit Fixed-Income**

For separate accounts:

<u>Assets:</u>	<u>Rate:</u>
First \$50 million	0.30%
\$50 million to \$100 million	0.20%
\$100 million to \$300 million	0.18%
Over \$300 million	0.15%

Minimum account size:  
Separate accounts: \$100 million

## **U.S. High-Yield Fixed-Income**

<u>Assets:</u>	<u>Rate:</u>
First \$25 million	0.600%
\$25 million to \$50 million	0.450%
\$50 million to \$750 million	0.325%
\$750 million to \$1.5 billion	0.275% <sup>1</sup>
Over \$1.5 billion	0.250% <sup>1</sup>

<sup>1</sup> The incremental annual fee rate which occurs at these breakpoints will only be applied for clients with mandate specific assets greater than the applicable breakpoint.

Minimum account size:  
Separate accounts: \$100 million

## **Global Core/Aggregate/Plus Fixed-Income**

<u>Assets:</u>	<u>Rate:</u>
First \$50 million	0.375%
\$50 million to \$100 million	0.275%
\$100 million to \$300 million	0.255%
\$300 million to \$1 billion	0.225%
Over \$1 billion	0.200% <sup>1</sup>

<sup>1</sup> The incremental annual fee rate which occurs at these breakpoints will only be applied for clients with mandate specific assets greater than the applicable breakpoint.

Minimum account size:  
Separate accounts: \$100 million

## **Global High Income Opportunities**

<u>Assets:</u>	<u>Rate:</u>
First \$25 million	0.700%

\$25 million to \$50 million	0.550%
\$50 million to \$250 million	0.425%
Over \$250 million	0.375%

Minimum account size:  
Separate accounts: \$100 million

### **Emerging Markets Fixed-Income**

<u>Assets:</u>	<u>Rate:</u>
First \$25 million	0.600%
\$25 million to \$50 million	0.500%
\$50 million to \$250 million	0.425%
\$250 million to \$1 billion	0.375%
Over \$1 billion	0.350% <sup>1</sup>

<sup>1</sup> The incremental annual fee rate which occurs at these breakpoints will only be applied for clients with mandate specific assets greater than the applicable breakpoint.

Minimum account size:  
Separate accounts: \$100 million

### **Emerging Markets Growth Fund, Inc.**

CIInc, as the investment adviser to the fund, receives a monthly management fee calculated and accrued daily, based on the aggregate net asset value of the Fund at the annual rates of:

<u>Assets:</u>	<u>Rate:</u>
First \$400 million	0.900%
\$400 million to \$1 billion	0.800%
\$1 billion to \$2 billion	0.700%
\$2 billion to \$4 billion	0.650%
\$4 billion to \$6 billion	0.625%
\$6 billion to \$8 billion	0.600%
\$8 billion to \$11 billion	0.580%
\$11 billion to \$15 billion	0.560%
\$15 billion to \$20 billion	0.540%
Over \$20 billion	0.520%

The Emerging Markets Growth Fund, Inc. incurs 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 Emerging Markets Growth Fund, Inc., CIInc provides certain transfer agent and administrative services for shareholders of the fund pursuant to an administrative service agreement. CIInc may contract with third parties and affiliates, including American Funds Service Company, the fund's Transfer Agent, and American Funds Distributors, Inc., the fund's principal underwriter, to provide some of these services. Fees and expenses for the Emerging Markets Growth Fund, Inc. are described in the fund's prospectus and statement of additional information. In addition, the fund will incur brokerage and other transaction costs.

Please refer to Item 12 (Brokerage Practices) below for a discussion of CIIInc's brokerage practices.

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

CIInc charges asset-based fees for providing investment advisory services to client accounts. However, in limited circumstances, CIInc may also receive fees that are based on the performance of the account. Certain of CIInc's portfolio managers may manage both types of accounts. Managing both types of accounts simultaneously creates a risk that the portfolio manager would (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.

To mitigate these risks, CIInc and its affiliates have adopted policies and procedures that address potential conflicts of interest that may arise between a portfolio manager's management of the account and his or her management of other funds and accounts, such as conflicts relating to the allocation of investment opportunities. See Item 12 (Brokerage Practices) of this brochure for CIInc'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 CIInc and its affiliates may provide individual investment advice and treatment to each client, its 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, CIInc and its affiliates provide 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.

Additionally, accounts are reviewed by investment professionals, including portfolio managers, as part of a group review of similar accounts. This monitoring and review is conducted to verify that accounts are in compliance with their objectives and investment guidelines and generally includes, among other things, information related to investment results, significant account guidelines, client activity including contributions and withdrawals, and the investment structure of the portfolio.

## **ITEM 7: TYPES OF CLIENTS**

CIInc provides investment management and advisory services to a registered investment company, other pooled investment vehicles exempt from registration, corporate entities, corporate and public pension plans, endowments and foundations, foreign governmental entities and other financial institutions. CIInc may also provide investment management and related services to participants in managed account programs as well as certain affiliated companies.

Accounts are generally subject to a minimum account size, which may vary based on whether it is a separate account or invested in a fund. In some instances, the minimum may be waived due to the overall size of the client relationship or other factors. Please refer to Item 5 (Fees and Compensation) for information on minimum account sizes.

<b>ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS</b>
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CIInc maintains an investment philosophy that is distinguished by four key beliefs and practices:

- Fundamental research underlies all investment decisions. CIInc and its affiliates employ 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 investment professionals take of the companies in which CIInc invests. This is reflected by the typically low turnover of portfolio holdings in the funds and accounts CIInc manages. In addition, investment professionals usually remain with us for many years and are compensated according to their investment results over time.
- The Capital System. We use ~~CIInc uses~~ a system of multiple portfolio managers in managing most separate account and fund assets. Under this approach, the portfolio of an account or fund is divided into segments managed by individual managers who decide how their respective segments will be invested. In addition, investment research analysts may make investment decisions with respect to a portion of the portfolio. Over time, this method has contributed to consistency of results and continuity of management.

CIInc may manage 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. CIInc 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 managed account programs.

Investment decisions are consistent with an account's or fund's objective(s), investment guidelines, restrictions, and are subject to oversight of the appropriate investment-related committees. The objective(s), policies and restrictions of each of the accounts or funds managed by CIInc are set forth in the account's guidelines or the governing documents of the fund. Investment strategies offered by CIInc include:



### **Equity strategies**

***U.S. Equity*** – Seeks long-term growth of capital and income. Invests primarily in equity and equity related securities consisting primarily of equity securities of issuers from the U.S. or primarily trade in the U.S.

***Single Country or Regional Equity*** – Seeks long-term growth of capital through investments in a portfolio consisting primarily of equity and equity related securities of issuers domiciled and/or having their principal place of business in the specified country or region.

***Global Equity*** – Seeks long-term growth of capital and income. Invests in a portfolio consisting primarily of equity and equity related securities of U.S. and non-U.S. issuers.

***All Country World Equity*** – Seeks long-term growth of capital and income. Invests in a portfolio consisting primarily of equity and equity related securities of issuers from all countries. Assets will be invested with geographical flexibility across developed and developing countries.

***Emerging Markets Equity*** – Seeks long-term capital growth. Invests in a portfolio consisting primarily of equity and equity related securities of developing countries that are primarily traded in developing countries, are from issuers in developing countries, or that are from issuers that have or are expected to have significant economic exposure to developing countries.

***Global Growth*** - Seeks to provide long-term growth of capital. Diversifies among blue chip companies in the United States and abroad, emphasizing multinational or global companies and focusing on opportunities generated by changes in global trade patterns and economic and political relationships.

***Emerging Markets Private Equity*** – Seeks long-term capital growth through investments in a portfolio consisting primarily of developing country private equity securities.

***World Dividend Growers*** — Seeks long-term growth of capital and income. Invests primarily in equity and equity-related securities of companies that are believed may increase the dividends paid to shareholders over a multiyear period.

### **Fixed-income strategies**

***U.S. Core Fixed-Income*** – Seeks, over the long term, high total return consistent with the conservation of capital. Investments will be made primarily in fixed income securities that are rated Baa3 or better or BBB- or better by a nationally recognized statistical rating organization, unrated securities which are deemed to be of equivalent investment quality; or issued or guaranteed by the U.S. Government or its agencies and/or instrumentalities; as well as cash and cash equivalents.

***U.S. High-Yield*** – Seeks over the long-term a high level of total return, of which a large component is current income. Invests primarily in fixed-income securities denominated in U.S. dollars with at least 75% total assets must be invested in fixed-income securities rated Ba or lower or BB or lower by a nationally recognized statistical rating organization, or unrated securities which are deemed to be of equivalent investment quality, and cash and cash equivalents.

***EU Credit Fixed-Income*** – Seeks to provide, over the long term, a high level of current consistent with prudent investment management.. Investments will be made primarily in EUR denominated corporate investment grade bonds and other fixed-income securities, including government securities.

***EU Aggregate Fixed-Income*** – Seeks to maximize total return through a combination of income and capital gains, with a view towards preservation of capital. Invests primarily in EUR-denominated Bonds.

***Global Fixed-Income*** –Seeks, over the long term, a high level of total return, measured in U.S. dollars, consistent with the conservation of capital. Invests primarily in securities issued or guaranteed by a national government, its agencies and/or instrumentalities, corporate issuers, or a supranational organization, and in other fixed income securities including mortgage and asset backed securities, denominated in various currencies.

***Global High Income Opportunities*** – Seeks over the long-term a high level of total return, of which a large component is current income, by investing primarily in high-yield sovereign and corporate fixed-income securities denominated in currencies from around the world, including the securities of U.S. and developing country issuers.

***Emerging Markets Fixed-Income*** – Seeks, over the long-term, high total return, of which a large component is current income, by investing primarily in sovereign and corporate issuers in developing countries, in countries rated Ba or lower or BB or lower by a nationally recognized statistical rating organization; or (3) in countries that are on an International Monetary Fund (“IMF”) program, have outstanding liabilities to the IMF, or have exited an IMF program no more than 5 years earlier.

Investing in securities involves risk of loss that funds and clients should be prepared to bear. Each account or fund is subject to certain risks associated with the investment strategy employed by CIInc and in accordance with the fund or account’s policies and restrictions. These risks may include, but are not limited to, certain of the risks set forth below.

- ***Management*** — CIInc actively manages the investments. Consequently, accounts and funds are subject to the risk that the methods and analyses employed by CIInc in this process may not produce the desired results. This could cause the assets of these accounts or funds 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 held by the accounts or funds 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.
- ***Investing in income-oriented stocks*** — Income may be reduced by changes in the dividend policies of, and the capital resources available for dividend at, the companies in which the funds or accounts invest.
- ***Issuer risks*** — The prices of, and the income generated by, securities held by the account or 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, CIInc 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.
- ***Currency Transactions*** – In addition to the risks generally associated with investing in derivative instruments, the use of certain currency transactions involves the risk that currency movements will not be accurately predicted by the investment adviser, which could result in losses to the fund or account. While entering into these 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, use of these transactions may have a leveraging effect by exposing the fund or account to potential gains and losses significantly in excess of the initial amount invested.
- ***Investing in small 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. In addition, the prices of these 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. Additional costs could be incurred in connection with the account or fund's investment activities outside the United States. Brokerage commissions may be higher outside the United States, and the account or fund will bear certain expenses in connection with its currency transactions. Furthermore, increased custodian costs may be associated with maintaining assets in certain jurisdictions.

- ***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.

Investing in emerging market private equity securities through CIInc's private equity program carries even greater risks than those associated with investing in listed emerging market securities. For instance, these investments will generally be highly illiquid securities acquired through privately- negotiated transactions and there is a significant risk that dispositions of such investments will require a lengthy time period. In some cases, CIInc may be prohibited by contract from selling such securities for a period of time or otherwise be restricted from disposing of such securities. The private equity funds under CIInc's program typically only make a limited number of investments, and since the investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors. In addition, interests in these private equity funds are not registered and there is no public market for the interests and none is expected to develop. Generally, the interests are not transferable and investors may not withdraw capital from a private equity fund, resulting in investors not being able to liquidate their investments prior to the dissolution of the fund.

- ***Exposure to country, region, industry or sector*** — The account or fund 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 an account or fund 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 account or fund than on an account or 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 account or 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 account or 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. CIInc 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 CIInc 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 account or 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 account or 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 account or 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*** — An account or fund may enter into contracts, such as to-be-announced contracts and mortgage dollar rolls, that involve the account or fund 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 account or fund's market exposure and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While the account or 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 account or fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of the account or fund.
- ***Investing in mortgage-related and other asset backed securities*** — Mortgage-related securities, such as mortgage-backed securities, often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Such 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 account or fund having to reinvest the proceeds in lower yielding securities, effectively reducing the account's or 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 account's or 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 have a leveraging effect by exposing the account or fund to losses significantly in excess of its initial investment. Derivatives may be difficult for the account or fund to buy or sell at an opportune time or price and may be difficult to terminate or otherwise offset. The account's or fund's use of derivatives may result in losses to the account or fund, and investing in derivatives may reduce the account's or fund's returns and increase the account's or fund's price volatility. The account's or fund's counterparty to a derivative transaction (including, if applicable, the account's or fund's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction. Certain derivatives, repurchase and reverse repurchase transactions may be collateralized and additional cash or securities, such as U.S. Treasuries, may be held for these purposes.
- ***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 or account'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.
- ***Cash and cash equivalents*** — The percentage of the fund or account invested in cash and cash equivalents will vary and depend on various factors, including market conditions. A larger percentage of such holdings could moderate the fund's or account's investment results in a period of rising market prices. Alternatively, a larger percentage of such holdings could reduce the magnitude of the fund's or account's loss in a period of falling market prices and provide liquidity to make additional investments or to meet redemptions.
- ***Loss of investment*** — An investor may lose money by investing in an account or fund. The likelihood of loss may be greater if the investor invests for a shorter period of time.
- ***Investments are not guaranteed*** — Investments in accounts and funds 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 our portfolios 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.***

**Clients should also refer to account guidelines as well as to each fund's governing documents or other disclosure documents for further information specific to their account or fund investment.**

<b>ITEM 9: DISCIPLINARY INFORMATION</b>
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Neither CIInc 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 management. From time to time, CIInc or its management persons may be subject to regulatory examinations, investigations, litigation or inquiries that arise in the ordinary course of our business. In the event we become aware of any regulatory matter or litigation that we believe would be material to an evaluation of our advisory business, we notify all clients or prospects affected by those events, subject to applicable law and regulation.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CIInc has arrangements material to its advisory business, and may share supervised person, with certain affiliated entities as described below.

### **Broker-dealer**

American Funds Distributors, Inc. (“AFD”) is a registered broker-dealer and a member of the Financial Industry Regulatory Authority and Municipal Securities Rulemaking Board. AFD acts as the principal underwriter and distributor of mutual funds advised by CIInc and its affiliates and provides related services. American Funds Distributors, Inc. is also registered as an insurance agency or producer in certain states. American Funds Distributors, Inc. is also a registered investment adviser which provides investment advisory related services in connection with various wrap-fee programs sponsored by unaffiliated broker-dealers or other financial institutions, where CIInc or its affiliates may be retained as an investment manager.

### **Registered Investment Companies**

CIInc serves as investment adviser and administrator to investment companies registered under the Investment Company Act of 1940. CIInc 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. In addition, CIInc or its affiliates may recommend that clients invest in limited partnerships, pooled funds or mutual funds managed by CIInc or its affiliates. Additionally, CIInc’s affiliate, in its fiduciary capacity, may invest their 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.

### **Unregistered Investment Funds**

Related persons of CIInc serve as general partner of privately-offered unregistered limited partnerships. These funds make primarily private equity investments in emerging markets companies. CIInc serves as the investment adviser to these funds and 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 governing documents and in Item 5 (Fees and Compensation).

### **Other Investment Advisers**

Because our funds, accounts, 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 and Management Company is an affiliated investment adviser with which CIInc shares supervised persons. Capital Research and Management Company is also registered as a commodity pool operator and a member of the National Futures Association.

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

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

Capital Group Private Markets Inc. is an affiliated registered investment adviser which provides research information and services to CIInc, as does Capital International K.K., a Japan-based investment adviser.

Capital Research Company is an affiliated registered investment adviser and indirectly provides investment advisory research CIInc. This may include managing assets, subject to the supervision and control of CIInc.

American Funds Distributors, Inc. is an affiliated registered investment adviser and provides marketing and client relations services to CIInc.

Capital International, Inc., a registered investment adviser, and Capital International Limited, an affiliated U.K.-based investment adviser, provides portfolio control, administrative and trading services to CIInc.

In addition, certain portfolio managers employed by affiliated investment advisers may, under the supervision and review of CIInc, determine the securities to be purchased and sold for CIInc 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.

## **Banks and Trust Companies**

Capital Bank & Trust Company, a federal savings bank and a registered investment adviser, is a wholly-owned subsidiary of The Capital Group Companies. Capital Bank & 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 also serves as trustee to certain collective investment trusts.

<b>ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>
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CIInc 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](http://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 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 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 investments professionals, including blackout periods on personal investing and a ban on short-term trading.
- Gifts and Entertainment: Policy prohibiting associates from accepting and extending gifts or entertainment that are excessive, repetitive or extravagant, if such gifts or entertainment involve a third party's business relationship (or prospective business relationship) with Capital. 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 preclearance 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 candidates for those positions), federal candidate campaigns and affiliated committees, and political organizations, such as Political Action Committees (PACs).

### *Participation or Interest in Client Transactions*

In addition, CIInc or its affiliates may recommend that clients invest in limited partnerships, pooled funds or mutual funds managed by CIInc or its affiliates. Additionally, CIInc's affiliate, in its fiduciary capacity, may invest their 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.

CIInc's employees may also purchase shares in certain pooled funds managed by CIInc or an affiliate of CIInc. 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 CIInc. 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.

CIInc may manage investments made by CIInc or an affiliate of CIInc, either in a separate account or through investing in a pooled vehicle. In those instances in which CIInc or an affiliate of CIInc 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. CIInc treats these separate and pooled vehicle accounts the same as any client account.

## ITEM 12: BROKERAGE PRACTICES

### **Selecting Broker-Dealers**

#### **Portfolio Transactions**

CIInc 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**

When executing portfolio transactions on behalf of its clients and clients of its affiliates CIInc strives to obtain "best execution" (the most favorable total price reasonably attainable under the circumstances) for their 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. CIInc considers these factors, which involve qualitative judgment, when selecting broker-dealers and execution venues for its clients' portfolio transactions. CIInc 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, CIInc does not consider itself as having an obligation to obtain the lowest available commission rate 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 International, Inc.'s, policies, procedures and practices relating to best execution.

The Equity Trading Best Execution Committee meets periodically to review current equity trading practices and reviews overall quality of execution and trades. The Equity Trading 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**

CIInc and its affiliates negotiate commission rates with brokers based on what they believe is reasonably necessary to obtain best execution. CIInc 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.

CIInc 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 when evaluating such reasonableness, 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**

CIInc and its affiliates may execute portfolio transactions with broker-dealers who provide certain brokerage and/or investment research services to CIInc and its affiliates, either directly or through a commission sharing arrangement, but only when in CIInc's and its affiliates judgment the broker-dealer is capable of providing best execution for that transaction. The receipt of these services permits CIInc 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. CIInc 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 CIInc's and its affiliates' research efforts. If broker-dealers were to discontinue providing such services it is unlikely CIInc 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, CIInc and its affiliates would incur substantial additional costs. CIInc and its affiliates could be perceived to have an incentive to select a broker-dealer based on their interest in receiving such research services. CIInc and its affiliates have processes in place to minimize the potential for conflicts of interest in this area.

CIInc 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, CIInc 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 CIInc to pay a higher commission to a broker-dealer to compensate the broker-dealer or another service provided for certain brokerage and/or investment research services provided to CIInc and its affiliates, if CIInc and each affiliate makes a good faith determination that such commissions are reasonable in relation to the value of the services provided to CIInc and its affiliates in terms of that particular transaction or CIInc'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, CIInc and its affiliates assess the reasonableness of commissions in light of the total brokerage and investment research services provided to CIInc and its affiliates. Further, research services may be used by all investment associates of CIInc and its affiliates, regardless of whether they advise accounts with trading activity that generates eligible commissions. In accordance with its internal brokerage allocation procedure, CIInc 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, CIInc 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 CIInc and its affiliates receive from broker-dealers and other research providers in connection with its good faith determination of reasonableness, CIInc and its affiliates take various factors into consideration, including the quantity, quality and usefulness of the services to CIInc and its affiliates. Based on this information and applying their judgment, CIInc 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, CIInc 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. CIInc 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 CIInc 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 CIInc, 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, CIInc may place cross-trades between client accounts managed by CIInc and its affiliates from time to time. CIInc recognizes that a potential conflict of interest may exist when placing trades between client accounts. To address such potential conflicts, CIInc 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**

An affiliate of CIInc currently owns an interest in IEX Group and Luminex Trading and Analytics. CIInc 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. CIInc is subject to the same best execution obligations when trading on any such exchange or alternative trading system.

### **Sale of Fund Shares Not Considered**

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

### **Client Referrals**

CIInc does not consider client referrals from a broker-dealer or third party in selecting or recommending broker-dealers.

### **Directed Brokerage**

In some instances, CIInc 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 CIInc's policy of seeking best execution. CIInc'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, CIInc accepts requests to direct brokerage from clients who are subject to ERISA only if the client's direction program complies with ERISA.

Occasionally, clients direct CIInc to place all or a portion of their account's annual brokerage costs to one or several broker-dealers and do not require that directed trades be subject to CIInc's policy of seeking best execution. In these cases, CIInc may be limited in negotiating commissions with broker-dealers to whom it directs trades and such accounts may therefore pay higher commissions than those that do not direct brokerage in this way. CIInc believes clients are best served when it has the full authority to determine the broker and negotiate commissions for securities transactions. With directed brokerage arrangements of this type, CIInc cannot assure clients that they will be able to obtain best execution.

Certain managed account program clients may direct CIInc to place all trades for equity accounts through the program sponsor, a third party platform and/or their affiliates. These directed trades will not be subject to CIInc's policy of seeking best execution. In these cases, CIInc will not negotiate commissions for such accounts or otherwise monitor the execution of trades. These accounts may therefore pay higher commissions (to the extent that commissions are charged) than those that do not direct brokerage in this way. Further, such trades are not aggregated with

trades for Capital Research and Management Company's other clients and funds, and may be executed subsequent to trades for other CIInc accounts. Please 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. With directed brokerage arrangements of this type, CIInc cannot assure clients that they will be able to obtain best execution and these clients should confirm with their program sponsor or third party platform and/or their affiliates that they are able to provide best execution of transactions.

### **Aggregation and Allocation of Portfolio Transactions**

Frequently, CIInc places orders to purchase or sell the same security for a number of clients of CIInc and its affiliates. CIInc typically aggregates such orders when they are substantially similar. As an aggregated order is executed, securities are allocated to clients in accordance with CIInc's allocation policy. CIInc believes that placing aggregated or "block" trades is consistent with its duty to seek best execution. Further, a client's trades are aggregated with those of other clients only if it is consistent with the terms of the client's investment advisory agreement. CIInc 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 clients, funds or portions of funds over which CIInc, or any affiliates with which it manages assets, has investment discretion, CIInc and all such affiliates will normally aggregate purchases or sales and execute them as part of the same transaction or series of transactions. CIInc normally aggregates its purchases or sales with those of funds, or portions of funds, and clients advised by the Capital International Investors equity investment division of Capital Research and Management Company.

In addition, restrictions in client accounts, such as broker selection requirements, may require that a client's order be traded separately. Client accounts that are traded separately from the aggregate order may receive a less favorable execution price than the accounts that are part of the aggregate order.

Certain clients may have requested CIInc to direct a portion of their trades to a particular broker-dealer, subject to the CIInc's duty to seek best execution. If the trader believes that best execution would not be harmed by directing the client's trade to the requested broker-dealer, then the trade for that client may be removed from the block to place the trade with the requested broker-dealer.

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 CIInc's and market practices for lot

sizes.

*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.

*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, the Equity Trading Platform allocates executed trades to participating accounts based on the initial orders and then begins a new allocation process 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.

*Program and list trades.* CIInc 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. CIInc 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 CIInc 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, CIInc 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 received from the underwriting syndicate is not sufficient to fill all orders, CIInc 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 account asset size; however, no account will be allocated more than its indication. Allocations may be subject to CIInc's and market practices for lot sizes. If the allocation places some client accounts below the minimum lot size, then the trading department will exclude those accounts in the allocation process and allocate the remaining shares to other clients on a pro rata basis.

## **Fixed-Income Securities**

When executing portfolio transactions in the same fixed-income security for the funds and other clients over which CIInc has investment discretion, CIInc will normally aggregate such purchases or sales and execute 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 CIInc serves as investment adviser under wrap fee programs, equity portfolio transactions are typically executed by the sponsor firm. When CIInc serves as investment advisor under a separate account the client directs CIInc to trade equity securities through the client's custodian, third party platform or one of their affiliates. As a result, equity transactions for wrap fee program and separate accounts are generally not aggregated with orders for other accounts for which CIInc or an affiliate serves as investment manager. Wrap fee program and separate accounts therefore may not receive the same quality of execution that CIInc and its affiliates are able to obtain for other advisory clients.

Where CIInc has discretion to select broker-dealers to execute trades for equity wrap fee program advisory accounts, we generally place such trades through the sponsor because wrap fee program accounts are typically not charged separate brokerage commissions for the execution of transactions in the client's account that are executed by or through the sponsor. Such trades may be executed subsequent to trades for other CIInc accounts. However, as noted above, Capital Research and Management Company considers brokerage commissions to be only one part of total execution costs, and where we determine that other factors, such as market impact and speed of execution, are likely to contribute more to overall transaction costs for a given transaction, we may execute trades for equity wrap fee program advisory accounts with broker-dealers other than the sponsor.

The amount of transactions that we determine to “trade away” from the sponsor can vary over time, and vary by strategy. For certain mandates such as international equity, global equity, and world dividend grower a higher proportion (e.g. 10% - 25%) of the trades may be executed with a broker-dealer other than the sponsor. If CIInc 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.

CIInc may provide similar investment management services to multiple managed account program clients which may result in investment recommendations for the same security being provided to multiple program sponsors and separate account clients at a similar time. In such cases, CIInc may rotate the order in which it places equity transactions among the relevant sponsors or other trading entities under managed account programs. CIInc uses a rotation methodology designed to avoid systematically favoring one entity over another and to treat similarly situated groups of accounts equitably over time. CIInc 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.

CIInc and its affiliates manage registered investment companies, 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 managed by CIInc. These other accounts will not be rotated with managed account program accounts, and will trade prior to managed account programs 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, CIInc or its affiliates), causing managed account programs to purchase the same securities at a higher price (or sell the same securities at a lower price) than CIInc and its affiliates. Institutional and other accounts of CIInc and its affiliates may therefore over time obtain better execution, including more favorable prices for their transactions, than managed account programs 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 wrap fee program and managed account program accounts are generally executed by broker-dealers other than the sponsor selected by CIInc or its affiliate. Transactions in the same fixed income security for wrap fee program and managed account program accounts will generally be aggregated with transactions for funds, accounts and other clients over which CIInc or one of its affiliated companies has investment discretion, as described above under the heading “Fixed-Income Securities.”

## **Forward Currency Exchange Transactions**

CIIInc generally executes foreign currency transactions for funds or accounts over which it has investment discretion directly through broker-dealers; however, a fund's or account'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**

Compliance and investment control teams monitor funds and accounts on an on-going basis and perform periodic reviews. This monitoring and review is conducted to verify that funds and accounts 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.

The boards of directors/trustees of the registered investment company 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 directors/trustees of the registered investment company and the trustees of the collective investment trusts are furnished audited annual financial statements, and additional information concerning portfolio activity and results. Other information (e.g. foreign country registration and service agreements) is furnished as needed.

Clients with separate accounts and investors in pooled investment vehicles are provided monthly and quarterly portfolio statements and such other reports as they may specifically request from time to time.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

CIInc compensates affiliates for client relations and marketing services. Additionally, CIInc's affiliates may compensate CIInc for client relations services. CIInc or its affiliates may from time to time compensate third parties for client referrals.

CIInc'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.

Some of CIInc's clients and prospective clients retain investment consultants to evaluate and recommend investment advisers and their services. CIInc and its affiliates may provide investment management services to these consultants or their affiliates. CIInc is not affiliated with an investment consultant business and has never paid to gain favor from consultants in terms of future or continuing new business opportunities. Many consultants offer valuable services to investment managers, and CIInc and its affiliates regularly subscribe to various consultant services to gain access to their index and peer data and occasionally participate in their conferences and training programs. In addition, from time to time, CIInc and its affiliates may co-sponsor with other managers or consultants, industry events such as conferences. Also, CIInc and its affiliates may purchase other products or services from consultants such as data feed transmission, electronic services and related software.

<b>ITEM 15: CUSTODY</b>
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CIInc does not have physical custody of client assets but is deemed to have custody of certain client assets as defined in rule 206(4)-2 of the Investment Advisers Act. Clients for which CIInc is deemed to have custody will receive account statements from a third party custodian bank quarterly or monthly and should carefully review those statements against the account statements provided by CIInc, if applicable. Investors or limited partners in the pooled investment vehicles managed by CIInc will receive audited financial statements within 120 days after the fund's fiscal year end.

If a third party inadvertently delivers client securities or funds to CIInc, such securities or funds generally will be forwarded to the client or the client's custodian. In certain circumstances, however, they may be returned to sender.

## ITEM 16: INVESTMENT DISCRETION

When CIInc is retained on a discretionary basis pursuant to an investment management agreement and is generally authorized, without client consultation or consent to determine, among other things:

- 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.

CIInc normally agrees with clients to investment guidelines for new accounts that set forth the objectives of the account and specific investment restrictions and limitations. The guidelines typically describe the investment mandate and types of securities that are eligible for (or prohibited from) the account. For investments in funds, the terms of the fund's governing documents will apply.

Investment discretion and authorization are described in the investment management agreement signed by CIInc and the client. The agreement, including the investment guidelines, is typically reviewed by administrative and legal personnel before being signed.

CIInc 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

CIInc accepts proxy voting authority from its clients and follows its Proxy Voting Policy and Procedures, which are summarized below. If CIInc 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.

Some clients reserve the right to vote proxies and do not give CIInc the authority to vote on their behalf. In those cases, clients should contact their custodian about receiving proxies. CIInc would not expect to discuss particular solicitations with clients for whom it does not have proxy voting authority.

### **Summary of Proxy Voting Policy and Procedures**

CIInc considers proxy voting an important part of those management services, and as such, CIInc seeks to vote the proxies of securities held by clients in accounts for which it has proxy voting authority in the best interest of those clients. The procedures that govern this activity are reasonably designed to ensure that proxies are voted in the best interest of CIInc's clients. Proxy issues are evaluated on their merits and considered in the context of the analyst's knowledge of a company, its current management, management's past record, and CIInc's general position on the issue.

CIInc has developed proxy voting guidelines that reflect its general position and practice on various issues. To preserve the ability of decision makers to make the best decision in each case, these guidelines are intended only to provide context and are not intended to dictate how the issue must be voted. The guidelines are reviewed and updated as necessary, but at least annually, by the appropriate proxy voting and investment committees.

Associates on the proxy voting team in CIInc's Global Investment Control department or the private equity operations team with respect to the CIInc managed private equity funds are responsible for coordinating the voting of proxies. These associates work with outside proxy voting service providers and custodian banks and are responsible for coordinating and documenting the internal review of proxies. Standard proxy items are typically voted with management unless the research analyst who follows the company or a member of an investment or proxy voting committee requests additional review. Standard items currently include the uncontested election of directors, ratifying auditors, adopting reports and accounts, setting dividends and allocating profits for the prior year, and certain other administrative items. All other items are voted in accordance with the decision of the analyst, portfolio managers, investment specialists, the appropriate proxy voting committee or the full investment committee(s) depending on parameters determined by those investment committee(s) from time to time. Various proxy voting committees specialize in regional mandates and review the proxies of portfolio companies within their mandates.

From time to time CIInc may vote a) on proxies of portfolio companies that are also clients of CIInc or its affiliates, b) on shareholder proposals submitted by clients, or c) on proxies for which clients have publicly supported or actively solicited CIInc or its affiliates to support a particular position. When voting these proxies, CIInc analyzes the issues on their merits and does

not consider any client relationship in a way that interferes with its responsibility to vote proxies in the best interest of its clients. The CIInc Special Review Committee reviews certain of these proxy decisions for improper influences on the decision-making process and takes appropriate action, if necessary.

If a research analyst has a personal conflict in making a voting recommendation on a proxy issue, he or she must disclose such conflict, along with his or her recommendation. If a member of the proxy voting committee has a personal conflict in voting the proxy, he or she must disclose such conflict to the appropriate proxy voting committee and must not vote on the issue. This summary of CIInc's Proxy Voting Policy and Procedures is qualified by the full policy, which is available on request. Also upon request, CIInc will provide to clients for whom it has proxy voting authority, reports of its proxy voting record related to the securities held in that client's account.

**Proxy Voting for Fund-of-Funds** With respect to voting proxies for fund-of-funds, if an underlying fund that is managed by CIInc or its affiliate has a shareholder meeting, CIInc will vote its shares in the underlying fund in the same proportion as the votes of the other shareholders of the underlying fund. To the extent CIInc should have to vote a proxy for the fund-of-funds' portfolios that is not a proxy of an underlying fund, CIInc will vote in accordance with this Policy.

<b>ITEM 18: FINANCIAL INFORMATION</b>
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CIInc does not generally require or solicit pre-payment of fees; however, certain sponsors of wrap fee programs may pay CIInc 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.

CIInc is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.

<b>ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS</b>
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CIIInc is not registered with any state securities authority.