



## **CAPITAL RESEARCH COMPANY**

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

If you have any questions about the contents of this brochure, please contact us at [ADVPart2@capgroup.com](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 Capital Research Company 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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This brochure is a new document prepared according to recently amended requirements and rules of the United States Securities and Exchange Commission. It is materially different in structure from, and contains information not provided in, our previous brochure. In the future, you can look to this section of the brochure for a summary of specific material changes that have been made since its last update.

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#### **ITEM 4: ADVISORY BUSINESS**

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

Capital Research Company provides investment advisory research and related services to Capital Research and Management Company. Capital Research and Management Company is the investment adviser to the American Funds family of mutual funds, including American Funds Target Date Retirement Series and American Funds Insurance Series, two asset pools of the Capital International Fund, a Luxembourg investment company, and is the sub-adviser to Capital International Assets Management (Canada), Inc., whose adviser is another affiliate of Capital Research Company.

Capital Research Company provides investment advisory research and related services for equity assets through two investment divisions, Capital World Investors and Capital Research Global Investors, and for fixed-income assets through its Fixed Income division. Capital World Investors and Capital Research Global Investors provide research and services on an independent basis. Capital Research Company's parent, Capital Research and Management Company, typically builds portfolios from the bottom-up using rigorous fundamental research to find attractive investments and manage risks. Capital Research Company's research is produced for internal use only, and is not published or sold to external parties. Please also refer to Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) in this Brochure for further information.

As of June 30, 2011, Capital Research Company had no assets under management.

<b>ITEM 5: FEES AND COMPENSATION</b>
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Capital Research Company is compensated for its services by Capital Research and Management Company as agreed upon from time to time.

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

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

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

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

<b>ITEM 7: TYPES OF CLIENTS</b>
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Capital Research Company provides investment advisory research and related services to Capital Research and Management Company.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Capital Research Company provides investment research and related services to Capital Research and Management Services consistent with their investment philosophy. This investment philosophy is distinguished by four key beliefs:

- Solid research is fundamental to sound investment decisions. Capital Research and Management Company and Capital Research Company 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 our investment professionals take of the companies in which we invest. This is reflected by the typically low turnover of portfolio holdings in the funds we manage. In addition, our investment professionals usually remain with us for many years and are compensated according to their investment results over time.
- The multiple portfolio counselor system. Capital Research and Management Company uses a system of multiple portfolio counselors in managing mutual fund assets. Under this approach, the portfolio of a fund is divided into segments managed by individual counselors who decide how their respective segments will be invested. In addition, Capital Research and Management Company's investment analysts may make investment decisions with respect to a portion of a fund's portfolio. Over time, this method has contributed to consistency of results and continuity of management.

Investment decisions are subject to a fund's objective, policies and restrictions and the oversight of the appropriate investment-related committees of Capital Research and Management Company and its investment divisions. The objective, policies and restrictions of each of the funds managed by Capital Research and Management Company are set forth in its prospectus and statement of information. Depending on a fund's objective, policies and restrictions, Capital Research and Management Company generally invests in equity securities, fixed-income securities or a combination of both. Capital Research and Management Company invests in U.S. and international equity securities, including common stocks, preferred stocks and convertible securities of companies with varying market capitalizations. Capital Research and Management Company also invests in U.S. and international fixed-income securities, including bonds, loan participations, mortgage-backed securities and municipal bonds, of varying quality and duration.

Investing in securities involves risk of loss that funds and their shareholders should be prepared to bear. Each fund is subject to certain risks associated with the investments made by Capital Research and Management Company in pursuit of that fund's objective and in accordance with that fund's policies and restrictions. The risks associated with an investment in each fund are set



forth in that fund's prospectus and statement of additional information or other disclosure documents. These risks may include, but are not limited to, certain of the risks set forth below.

- ***Management*** — Capital Research and Management Company actively manages the funds' investments. Consequently, the funds are subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause a fund to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.
- ***Market conditions*** — The prices of, and income generated by, the common stocks and other securities held by the funds may decline due to market conditions and other factors, including those directly involving the issuers of securities held by the funds.
- ***Investing in growth-oriented stocks*** — Growth-oriented stocks may involve larger price swings and greater potential for loss than other types of investments. These risks may be heightened in the case of smaller capitalization stocks.
- ***Investing in income-oriented stocks*** — Income provided by the funds may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the funds invests.
- ***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 political, social or economic developments 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. These risks may be heightened in connection with investments in emerging market and developing countries.
- ***Investing in emerging market and developing countries*** — Investing in countries with developing economies and/or 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 or markets. Additionally, there may be increased settlement risks for transactions in local securities.

- ***Investing in bonds*** — Rising interest rates will generally cause the prices of bonds and other debt securities to fall. Longer maturity debt securities may be subject to greater price fluctuations than shorter maturity debt securities. In addition, falling interest rates may cause an issuer to redeem, call or refinance a security before its stated maturity, which may result in the funds having to reinvest the proceeds in lower yielding securities. Bonds and other debt securities are 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.
- ***Investing in lower rated bonds*** — 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 junk bonds.
- ***Investing in mortgage-related securities*** — Mortgage-related securities are subject to prepayment risk, as well as the risks associated with investing in debt securities in general. If interest rates fall and the loans underlying these securities are prepaid faster than expected, the fund may have to reinvest the prepaid principal in lower yielding securities, thus reducing the fund's income. Conversely, if interest rates increase and the loans underlying the securities are prepaid more slowly than expected, the expected duration of the securities may be extended. This reduces the potential for the fund to invest the principal in higher yielding securities.
- ***Investing in future delivery contracts*** — Contracts for future delivery of mortgage-related securities, such as to be announced contracts and mortgage dollar rolls, involve the 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 fund's market exposure and the market price of the securities the fund contracts to repurchase could drop below their purchase price. While the fund can preserve and generate capital through the use of such contracts by, for example, realizing the difference between the sale price and the future purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions may increase the turnover rate of the fund.
- ***Loss of investment*** — An investor may lose money by investing in a fund. The likelihood of loss may be greater if the investor invests for a shorter period of time.

- ***Investments are not guaranteed*** — Investments in a fund are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person.
- ***Past investment results are not predictive of future investment results.***

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

<b>ITEM 9: DISCIPLINARY INFORMATION</b>
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Neither Capital Research Company nor its management persons have been the subject of legal or regulatory findings, or are the subject of any pending criminal proceedings that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our firm.

<b>ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</b>
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Capital Research Company has the following arrangements that are material to clients or its advisory business with certain affiliated entities.

**Broker-dealer**

American Funds Distributors, Inc., a wholly-owned subsidiary of Capital Research and Management Company, is a registered broker-dealer and a member of the Financial Industry Regulatory Authority and Municipal Securities Rulemaking Board. American Funds Distributors, Inc. acts as the principal underwriter and distributor of mutual funds advised by Capital Research and Management Company and its affiliates and provides related services. In addition, certain of Capital Research and Management Company's management persons are registered representatives of American Funds Distributors, Inc.

**Investment Companies**

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

**Investment Advisers**

Capital Research and Management Company, the parent of Capital Research Company, is a registered investment adviser.

**Trust Company**

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

## ITEM 11: CODE OF ETHICS

Capital Research Company and its affiliated companies have adopted a Code of Ethics for its associates (Code of Ethics) that requires all associates: (1) act with integrity, competence and in an ethical manner; (2) comply with applicable U.S. federal securities laws, as well as all other applicable laws, rules and regulations; and (3) promptly report violations of the Code of Ethics. All associates are required to certify at least annually that they have read and understand the Code. A copy of the Code of Ethics is available to clients and prospective clients upon request and on [americanfunds.com](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 our associates. These procedures require all associates who believe they may be in possession of material non-public information regarding an issuer to notify the Legal Department, which will determine the appropriate actions to be taken.
- Personal Investing: Policies related to personal investing by our associates. The policies ban excessive trading of any Capital-managed investment vehicles worldwide, including the American Funds. Associates generally may not participate in the acquisitions of securities in initial public offerings. Additional restrictions apply to associates with access to non-public information relating to current or imminent fund/client transactions, investment recommendations or fund portfolio holdings (covered associates). Covered associates generally may not effect securities transactions for their own account when any investment advisory account is transacting in the issuer in question. All such covered associates must report their securities transactions on a quarterly basis and disclose their holdings annually. Covered associates must pre-clear certain personal security transactions and special review of private placements is required. Additional restrictions and reporting apply to investments professionals, including blackout periods on personal investing and a ban on short-term trading.
- Gifts and Entertainment: Policy prohibiting the acceptance and extension of gifts or entertainment that are excessive, repetitive or extravagant, if such gifts or entertainment are in relation to Capital's business. Procedures include quarterly reporting of gifts or entertainment received or offered, a dollar limit on gifts that can be accepted from any one source during a calendar year, and pre-clearance of entertainment beyond a certain dollar limit.
- Political Contributions: Policy governing political contributions and/or other activities that directly support officials, candidates, or organizations that may be in a position to influence decisions to award business to investment management firms. Specific rules exist for political contributions and activities within the U.S. and associates are required to seek preclearance and approval for political contributions to state and local government officials (or a candidate for those positions.)

### *Participation or Interest in Client Transactions*

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

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

<b>ITEM 12: BROKERAGE PRACTICES</b>
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**Selecting Broker-Dealers****Portfolio Transactions**

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

**Best Execution**

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

**Commission Rates**

For transactions on which commissions are payable, Capital Research and Management Company negotiates commission rates with brokers based on what it believes is reasonably necessary to obtain best execution. These rates vary based on the nature of the transaction, the market in which the security is traded and the venue chosen for trading, among other factors.



Capital Research and Management Company seeks, on an ongoing basis, to determine what the reasonable levels of commission rates are in the marketplace. Capital Research and Management Company takes various considerations into account when evaluating such reasonableness, including: (1) rates quoted by broker-dealers; (2) the size of a particular transaction in terms of the number of shares and dollar amount; (3) the complexity of a particular transaction; (4) the nature and character of the markets on which a particular trade takes place; (5) the ability of a broker-dealer to provide anonymity while executing trades; (6) the ability of a broker-dealer to execute large trades while minimizing market impact; (7) the extent to which a broker-dealer has put its own capital at risk; (8) the level and type of business done with a particular broker-dealer over a period of time; (9) historical commission rates; and (10) commission rates that other institutional investors are paying.

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

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

### **Oversight**

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

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

### **Brokerage and Investment Research Services**

Capital Research and Management Company may execute portfolio transactions with broker-dealers who provide certain brokerage and/or investment research services to it, but only when in Capital Research and Management Company's judgment the broker-dealer is capable of providing best execution for that transaction. The receipt of these services permits Capital Research and Management Company to supplement its own research and analysis and makes available the views of, and information from, individuals and the research staffs of other firms.

These services may include, among other things, reports and other communications with respect to individual companies, industries, countries and regions, economic, political and legal developments, as well as scheduling meetings with corporate executives and seminars and conferences related to relevant subject matters. This information may be provided in the form of written reports, telephone contacts and meetings with securities analysts. Capital Research and Management Company considers these services to be supplemental to its own internal research efforts and therefore the receipt of investment research from broker-dealers does not tend to reduce the expenses involved in Capital Research and Management Company's research efforts. If broker-dealers were to discontinue providing such services it is unlikely Capital Research and Management Company would attempt to replicate them on its own, in part because they would no longer provide an independent, supplemental viewpoint. Nonetheless, if it were to attempt to do so, Capital Research and Management Company would incur substantial additional costs.

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

Certain brokerage and/or investment research services may not necessarily benefit all accounts paying commissions to each such broker-dealer, therefore, Capital Research and Management Company assesses the reasonableness of commissions in light of the total brokerage and investment research services provided by each particular broker-dealer. In accordance with its internal brokerage allocation procedure, each equity division of Capital Research and Management Company periodically assesses the brokerage and investment research services provided by each broker-dealer from whom it receives such services. Using its judgment, each equity division of Capital Research and Management Company then creates lists with suggested levels of commissions for particular broker-dealers and provides those lists to its trading desks. The actual level of business received by any broker-dealer may be less than the suggested level of commissions and can, and often does, exceed the suggested level in the normal course of business.

Neither Capital Research and Management Company nor any of its clients incurs any obligation to any broker-dealer to pay for research by generating trading commissions. As part of its ongoing relationships with broker-dealers, Capital Research and Management Company routinely meets with firms, typically at the firm's request, to discuss the level and quality of the brokerage and research services provided, as well as the perceived value and cost of such services. In valuing the brokerage and investment research services Capital Research and Management Company receives from broker-dealers in connection with its good faith

determination of reasonableness, Capital Research and Management Company does not attribute a dollar value to such services, but rather takes various factors into consideration, including the quantity, quality and usefulness of the services to Capital Research and Management Company.

### **Client Referrals**

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

### **Directed Brokerage**

Capital Research and Management Company does not direct any trading activity to a particular broker-dealer based on instructions from a client.

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

Frequently, Capital Research and Management Company will place orders to purchase or sell the same security for a number of clients. Capital Research and Management Company typically aggregates such orders when they are substantially similar. As an aggregated order is executed, securities are allocated to clients in accordance with Capital Research and Management Company's allocation policy summarized below. Capital Research and Management Company believes that placing aggregated or "block" trades is consistent with its duty to seek best execution.

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

### ***Equity Securities***

When executing portfolio transactions in the same equity security for the funds, or portion of funds, over which Capital Research and Management Company, through its divisions, has investment discretion, each of the divisions will normally aggregate its respective purchases or sales and execute them as part of the same transaction or series of transactions.

Sometimes trade orders are not aggregated due to significant differences in terms, such as price sensitivity or urgency to complete the trade. For example, some orders may be subject to a price limit that does not permit them to trade with other orders for the same security that do not contain such a restriction. 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.

As an aggregated order is filled, executed equity trades are generally allocated pro rata to clients based on the authorized order size for each client at the time the trade is executed. All clients receive shares at the average execution price and pay a pro rata portion of all transaction costs.

Allocated amounts will be rounded to take into account Capital Research and Management Company's and market practices for lot sizes.

*Special instructions.* In certain circumstances, parts of an aggregated order may be subject to special instructions, such as a price limit, that do not apply to the entire aggregated order. This may result in an allocation other than pro rata to all accounts in the aggregated order. For example, trades executed above a price limit (in the case of purchases) or below the limit (in the case of sales), would be allocated on a pro rata basis only to orders that were not subject to the price limit.

*Additional equity authorizations.* If trading receives additional orders for a particular security after it has begun working existing orders for that security, the additional orders may be added to the initial orders over a reasonable period of time during the trading day. This may occur, for example, if trading believes that the additional orders are based on the same news event or analyst recommendation that prompted the initial order. If the additional orders are not aggregated in this manner, any trades executed prior to the additional orders are allocated to participating clients on the basis of the existing orders. After any such allocation, the additional authorizations are included with the existing orders and trades are allocated based on the size of the remaining open orders without consideration for the timing of the orders.

### ***Initial Public Offerings***

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

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

### ***Fixed-Income Securities***

When executing portfolio transactions in the same fixed-income security for the funds and other clients over which Capital Research and Management Company or one of its affiliated companies has investment discretion, Capital Research and Management Company 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.

<b>ITEM 13: REVIEW OF ACCOUNTS</b>
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Capital Research Company provides investment advisory research and related services to Capital Research and Management Company. Capital Research and Management Company has compliance and investment control associates monitor accounts on an on-going basis and perform in-depth periodic reviews of the accounts. This monitoring and review is conducted to verify that accounts are in compliance with their objectives and guidelines. In addition, the appropriate investment committee periodically reviews certain portfolio data for the funds.

The boards of directors/trustees of each of the American Funds are furnished the following information: monthly unaudited financial statements, audited semiannual and annual financial statements, registration statements and proxy material. Additional information concerning portfolio activity and results are presented at meetings of the boards held at least quarterly, and extensive additional information is furnished, generally annually, in connection with investment advisory agreement renewals. The boards of the Capital International Fund (Luxembourg) and the Capital International Assets Management (Canada) are furnished audited annual and unaudited semiannual financial statements, and additional information concerning portfolio activity and results. Other information (e.g. foreign country registration and service agreements) are furnished as need.

<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION</b>
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Capital Research Company, Capital Research and Management Company and/or their affiliates compensate certain other affiliates for client relations and marketing services.

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

<b>ITEM 15: CUSTODY</b>
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Capital Research Company does not retain custody of client funds or securities.



<b>ITEM 16: INVESTMENT DISCRETION</b>
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Capital Research Company's parent, Capital Research and Management Company, is retained by the funds it advises on a discretionary basis pursuant to an investment advisory agreement, or in the case of Capital International Assets Management (Canada), Inc. a sub-advisory agreement. Capital Research and Management Company is authorized by the funds to, among other things, determine without consultation with the fund or its board of directors/trustees:

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

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

## ITEM 17: VOTING CLIENT SECURITIES

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

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

The analyst and proxy coordinator making voting recommendations are responsible for noting any potential material conflicts of interest. One example might be where a board member of one or more American Funds is also a board member of a company whose proxy is being voted. In such instances, proxy voting committee members are alerted to the potential conflict. The proxy voting committee may then elect to vote the proxy or seek a third-party recommendation or vote of an ad hoc group of committee members.

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

Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30 of each year will be available on or about September 1 of each year (a) without charge, upon request by calling American Funds Service Company at 800/421-0180, (b) on the American Funds website and (c) on the SEC's website at [sec.gov](http://sec.gov).

The following summary sets forth the general positions of the American Funds, American Funds Insurance Series and Capital Research and Management Company on various proposals. A copy of the full Principles is available upon request, free of charge, by calling American Funds Service Company or visiting the American Funds website at [americanfunds.com](http://americanfunds.com).

**Director matters** — The election of a company's slate of nominees for director generally is supported. Votes may be withheld for some or all of the nominees if this is determined to be in the best interest of shareholders. Separation of the chairman and CEO positions also may be supported.

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

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

**Compensation and benefit plans** — Option plans are complicated, and many factors are considered in evaluating a plan. Each plan is evaluated based on protecting shareholder interests and a knowledge of the company and its management. Considerations include the pricing (or repricing) of options awarded under the plan and the impact of dilution on existing shareholders from past and future equity awards. Compensation packages should be structured to attract, motivate and retain existing employees and qualified directors; however, they should not be excessive.

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

<b>ITEM 18: FINANCIAL INFORMATION</b>
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Capital Research Company does not require or solicit pre-payment of fees in advance.

Capital Research Company 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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Capital Research Company is not registered with any state securities authority.