

**ADV: Part 2A  
March 2018**

**Capital Research Advisors, LLC**

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**This brochure provides information about the qualifications and business practices of Capital Research Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 770-925-1000.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Capital Research Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Capital Research Advisors, LLC is currently a federally registered investment advisor with the U. S. Securities and Exchange Commission. The U.S. Securities and Exchange Commission does not endorse, recommend, or pass an opinion for Capital Research Advisors, LLC or any investment advisor.

**Material Changes:** This amended Brochure contains material changes since CRA's last filing dated March 2017.

**ANY QUESTIONS:** CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions regarding the material changes or any other issue pertaining to this amended Brochure.

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## REGISTRATION

Capital Research Advisors, LLC (CRA - LLC) is currently a registered investment advisor with the U. S. Securities and Exchange Commission (SEC).

The U.S. Securities and Exchange Commission does not endorse, recommend, or vouch for Capital Research Advisors, LLC, or any investment advisor.

## FOUNDING

CRA - LLC was founded in 2003 by the then two managing partners, James Metzloff and Kenneth Graves. At the time of formation of CRA, LLC, Mr. Metzloff was a twenty plus year veteran of the investment industry and Mr. Graves was a sixteen year veteran of the investment industry.

## LEADERSHIP

During the first three years of existence, CRA – LLC was under the leadership of Mr. Metzloff and Mr. Graves.

In 2005, CRA added a third advisor, Tom Spicknall – CFP. Mr. Spicknall was a twenty-five plus veteran of the investment industry. Mr. Graves, Mr. Metzloff and Mr. Spicknall worked together to operate Capital Research Advisors, LLC from 2005 – 2010 in two offices. Mr. Metzloff has since retired (2010) and is no longer a part of CRA – LLC in any way. Mr. Spicknall is now deceased (2014) and is no longer involved at CRA in any way. Mr. Graves, now a thirty plus year veteran is providing the management oversight of the offices CRA has now.

In early 2012 Mr. Darren Heil joined CRA as an assistant portfolio manager. Mr. Heil is a fifteen year plus veteran. In addition to working directly with clients, Mr. Heil assists Mr. Graves in portfolio development.

In the second half of 2012 Mr. David Simmons joined the firm as a client advisor, working directly with Mr. Spicknall and at that time helped CRA with overall direction and future planning. Mr. Simmons is a seventeen year plus veteran as well having spent his entire career as a client advisor.

Mr. Michael Trafford joined CRA in late 2012 also. Mr. Trafford's primary attraction for CRA is due to his long history and knowledge in arena of financial planning. He has an undergraduate degree in financial planning and also has a master's degree in financial planning, both degrees are from Georgia State University. Having worked in financial planning for the last 24+ years in addition, Mr. Trafford does some advisory work for his clients as well. He came to CRA to lead and assist investment advisors of the firm in financial planning needs of a broad range of firm clients.

## EDUCATION AND BUSINESS BACKGROUNDS:

The following individuals comprise the investment committee of CRA:

KENNETH DWAIN GRAVES BORN: 06/11/57

### EDUCATION:

B.S., Animal Physiology, University of North Carolina, 1979

### EMPLOYMENT HISTORY:

01/2015 – Present - Owner and Managing Partner of KDD Partners,  
05/2003 - Present – Principal and Manager, CAPITAL RESEARCH ADVISORS, LLC,  
09/2009 - Present - Registered Representative, Ceros Financial Services  
05/2003 - 09/2009 - Registered Representative, Rydex Financial Services, a division of  
Rydex Distributors, Inc.,  
12/1996 - 05/2003 - Registered Representative, Investment Advisory Rep, Cambridge  
Investment Research Inc.,

Darren Russell Heil. Born: 12/30/1975

### EDUCATION:

Cornell University - BS in Engineering, May 1998  
Cornell University - MENG in Engineering Management May 1999

### EMPLOYMENT HISTORY:

01/2015 – Present - Owner and Managing Partner of KDD Partners,  
01/2012 – Present - CRA LLC - VP and Senior Portfolio Manager,  
01/2012 – Present - Registered Representative, Ceros Financial Services  
08/2010 – 01/2012 - Merrill Lynch – Financial Advisor  
01/2008 – 08/2010 - 321 Transform - Founder, Partner & CFO  
08/2002 – 12/2007 - Difeq Consulting - Founder & Partner  
07/2001 – 08/2002 - Spectrum Capital Partners/Andover Brokerage  
07/1999 – 07/2001 - Schonfeld Securities/Opus Fund - July 1999 to July 2001

Mr. David Simmons. Born 04/15/1976

### EDUCATION:

Vanderbilt University – BS in Economics and BS in Human & Organizational Development -  
1999

### EMPLOYMENT HISTORY:

01/2015 – Present - Owner and Managing Partner of KDD Partners

08/2012 – Present – Capital Research Advisors, LLC Financial Advisor  
08/2012 – Present – Registered Representative, Ceros Financial Services  
06/2005 – 08/2012 – Registered Representative Wells Fargo Advisors, LLC  
06/2005 – 03/2003 – Registered Representative, Merrill Lynch Pierce Fenner & Smith Inc  
01/2003 – 03/2003 – Fahnstock – Financial Advisor  
04/2001 – 01/2003 – Registered Representative CIBC World Markets Corp  
07/1999 – 11/2000 – Registered Representative Prudential Securities Incorporated

Mr. Michael Trafford. Born 04/07/1966

#### EDUCATION:

Georgia State University – BS in Finance – 1988  
Georgia State University – MBA in Financial Planning - 1994

#### EMPLOYMENT HISTORY:

08/2012 - Present – Capital Research Advisors, LLC Financial Planner  
08/2012 - Present – Registered Representative, Ceros Financial Services  
04/2002 - 08/2012 - Triad Advisors, Inc.  
12/2000 - 04/2002 - Cambridge Investment Research, Inc.  
07/2000 - 10/2000 - Commonwealth Financial Network, Inc.

CRA has established a Code of Ethics (the “Code”) pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). As an investment adviser, CRA has an undivided duty of loyalty to act solely in the best interests of its clients, an obligation which includes the responsibility to make full and fair disclosure of all material facts, especially where CRA’s interests may conflict with those of its clients. In carrying on its daily affairs, CRA and all CRA’s Associated Persons (also known as “Supervised Persons”), shall act in a fair, lawful and ethical manner, in accordance with the rules and regulations imposed by CRA’s governing regulatory authority (e.g., United States Securities and Exchange Commission, state bureau of securities, etc.).

In light of the above code, CRA requires in writing that all individuals employed or in contract with CRA must act in accordance with The Code and all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of these may be subject to termination. A full copy of our code of ethics is available to any person at any time upon request and they do not need to be a current client in order to obtain this from us.

#### OUTLINE OF INVESTMENT TYPES AND OF INVESTMENT MODELS USED IN ADVISING CLIENTS

When CRA manages assets we largely use defined investment models. We divide our asset management models into different types/styles. These models are rules-based models

which means that there is little subjective nature to the decision-making process in the models. The rules are quantitative in their nature and they are designed so those rules drive the decisions made.

Currently we have two (2) models for fixed income type assets. These are models with the first one focused largely on producing tax free income and the second fixed income model is for largely producing taxable income. Both will produce taxable capital gains/losses when used in non-qualified accounts.

Both of these fixed income models have a similar framework in place for attempting to manage risk, but they both function independently of the other. This framework usually involves a core construction of approximately 60%-85% of the account assets in each model. Since the price of a bond and the dividend rate it carries work in opposition to each other, CRA – LLC attempts to address this opposition relationship. To do so, there can be a position of a “hedge”, designed to help offset or buffer some of the effects of possible interest rate increases. There can also be put in place an “accelerator”, a position that may help to appreciate the portfolio possibly for potential interest rate decreases or growing credit quality issues in markets.

CRA – LLC also provides stock/equity-based models and we currently have four (4) models which focus primarily on U.S. equities. With these four models we largely focus on the use broad stock indexes or broad sector representations here.

We attempt to have equity models in place which do not correlate highly to the US stock/equity markets nor do they highly correlated to each of the other equity models we use over extended periods of time. This attempt to keep the correlations between these four models low means that the models, though they can and do change, are structured/selected partially based on their lack of being highly interconnected to each other over an expanded time frame(s). To help this occur we can and do regularly use a tactical overlay in the management of these models. This means the model(s) may have certain points within them when once the model reaches a specific point or set of points, a major change in the holdings of that model will occur.

Currently, our seventh model does not base itself off of U.S. stock indexes or equity sectors. It makes use of different asset classes. They can be commodity-based positions – i.e., oil/gas, precious metals and basic materials. This model can also use the U.S. Dollar, in either a "long" or a "short" portfolio, as well as other major world currencies. This model may also invest in "country" portfolios for countries that are not currently deemed to be highly correlated to the U.S. board markets though management may make determinations which allow correlations to increase beyond our normal tolerances.

## **Unified Managed Account (“UMA”) Programs**

CRA offers some of its model portfolios to UMA Program sponsors for a fee. These UMA Program sponsors use CRA’s model portfolios as one input in developing the sponsors’ investment recommendations to their clients and managing their clients’ accounts. When a UMA Program sponsor engages CRA, CRA constructs model portfolios that correspond to some CRA investment strategies which are then selected by the sponsor. CRA provides the UMA Program sponsor with direct entries onto their platform identifying CRA’s recommendations as to the securities to be purchased, sold and held from time to time in each UMA Program account, as well as the percentage of the model portfolio that would be invested in each security. CRA provides this information to the UMA Program sponsor at or near the same time CRA updates its model portfolios. UMA Program sponsors retain sole authority and responsibility for managing their clients’ accounts. Each UMA Program sponsor provides individualized investment advice and portfolio management services to its clients, and may or may not decide to implement some or all of CRA’s recommendations as to the securities and other property to be held within an account. In the event that a UMA Program sponsor determines to follow CRA’s recommendation regarding the purchase or sale of any securities or other investments, the UMA Program sponsor may purchase and sell those investments within its clients’ accounts at the same time, prior to, or after CRA purchases and sells those investments within the corresponding CRA strategy. The resulting UMA Program sponsor’s trading activity does not have a positive or negative impact on CRA’s ability to execute trades for CRA’s clients. CRA charges a fee to each UMA Program sponsor that enters into a contract. The sponsor contracts with CRA to use CRA’s model portfolios to assist the sponsor in managing its client accounts. CRA and the sponsor usually negotiate the fee amount. The fee may vary depending on a number of factors, including the number of model portfolios that the sponsor is purchasing and the total assets under management.

### **Please Note: Inverse/Enhanced Market Strategies.**

CRA may utilize long and short (inverse) mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Use of leveraged and inverse funds: Most leveraged funds seek to provide a multiple of the investment returns of a given index or benchmark on a time designated basis, daily or monthly most often. Due to the effects of compounding and possible correlation errors, leveraged funds may experience greater losses than one would ordinarily expect.

Compounding can also cause a widening differential between the performances of a fund and its underlying index or benchmark, so that returns over periods longer than one day can differ in amount and direction from the target return of the same period. Consequently, these funds may experience losses even in situations where the underlying index or benchmark has performed as hoped. Some specialized funds can be subject to additional market risks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

### **Financial Planning and Non-Investment Consulting/Implementation Services.**

As discussed below, to the extent requested by a client, CRA may provide financial planning and consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. for a separate fee and per the terms and conditions of a separate Financial Planning and Consulting Agreement. CRA does not serve as an attorney or accountant, and no portion of CRA's services should be construed as such. To the extent requested by a client, CRA may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of CRA in their separate individual capacities as representatives of Ceros Financial ("Ceros"), an SEC registered and FINRA member broker-dealer, and as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CRA and/or its representatives. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note-Conflict of Interest:** The recommendation by CRA representatives that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of Ceros and/or as insurance agents, presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from CRA representatives. Clients are reminded that they may purchase securities and insurance products recommended by CRA through other, non-affiliated broker-dealers and/or insurance agencies. **CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

### **PLEASE NOTE: RETIREMENT ROLLOVERS-No Obligation/Conflict of Interest:**

A client leaving an employer typically has four options (and may engage in a combination of these options):

- i) leave the money in his former employer's plan, if permitted,
- ii) roll over the assets to his new employer's plan, if one is available and rollovers are permitted,
- iii) rollover to an IRA, or
- iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).



CRA, LLC may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) managed by CRA, LLC. As a result, CRA, LLC and its representatives may earn an asset-based fee (see **Please Note** below). In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to CRA, LLC (unless you engage CRA, LLC to monitor and/or manage the account while maintained at your employer). CRA, LLC has an economic incentive to encourage an investor to roll plan assets into an IRA that CRA, LLC will manage or to engage CRA, LLC to monitor and/or manage the account while maintained at your employer. There are various factors that CRA, LLC may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus CRA, LLC's, iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by CRA, LLC or to engage CRA, LLC to monitor and/or manage the account while maintained at your employer. **Please Note:** If CRA, LLC's engagement will include the management of the client's retirement account per the same fee schedule set forth in Item 5 below, regardless of custodian or the client's decision to process a rollover, the above economic incentive to recommend a rollover is moot. **CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement**

**Affiliated Private Fund.** CRA maintains an affiliated private investment fund, US 50 Fund (the "Fund"). CRA, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the Fund. The terms and conditions for participation in the Fund, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. CRA's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s). US 50 Fund, LP File No. is: **021-237399**.

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds generally do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Conflict Of Interest.** Because CRA can earn compensation from the Fund that may exceed the fee that CRA would earn under its standard asset-based fee schedule referenced in Item 5 below, the recommendation that a client become a Fund investor presents a **conflict of interest**. No client is under any obligation to become a Fund investor. **CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions regarding this conflict of interest.**

**Client Obligations.** In performing its services, CRA shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify CRA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising CRA's previous recommendations and/or services.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by CRA) will be profitable or equal any specific performance level(s).

## OTHER POSSIBLE SERVICES BEYOND INVESTMENT MANAGEMENT

As discussed above, to the extent requested by a client, CRA may provide financial planning services for a separate fee per the terms and conditions of a separate written agreement. The fee for financial planning is above and beyond CRA's fee for managing a client's assets.

Often, we lay out a financial forecast or game plan for clients to help them look at net worth, current qualified & non-qualified investments in the current time format as well as current contributions. We typically first perform 2 functions. A risk tolerance and a data collection input we term a CNA-Confidential Needs Analysis. Risk tolerance allows us to begin to help assess a client's investment risk parameters, so that the client's portfolio can be consistent with the amount of risk that the client is comfortable to achieve his/her investment objective.

The CNA allows us to look at income, debt, cash flow overall, financial obligations, future obligations, plans which help us assess their needs, suitability of their current finances as well as their perception of their current finances. This can help CRA as we allocate assets across the many different models that we may utilize in managing the client's assets. Not all clients are allocated the same and this review process helps aid us in that.

This financial game plan for clients is not the same as the financial planning referred to above and is only offered to clients who engage CRA to manage their assets. There is no additional fee charged for the financial game plan. .

CRA nor any related person of CRA (Registrant) recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest except with regard to the affiliated private fund discussed in the previously noted section above.

As indicate above, CRA is affiliated with the Fund. CRA may recommend the Fund to clients for which CRA believes the investment is suitable. CRA only recommends the Fund to clients who meet the requisite income and/or net worth requirements and where CRA believes that the investment is appropriate for the client based on the client's ability to accept the risk. When recommending the Fund to advisory clients, clients shall be subject to additional advisory fees and incentive allocations payable to the Fund.

A conflict exists when the Registrant, CRA, and/or its personnel stand to benefit from investments in the Fund. In order to address this conflict, Clients will receive the Confidential Offering Memorandum and full disclosure of known risks before investing in the Fund.

## TYPES OF CLIENTS WE SERVE

We serve clients of differing descriptions. We do serve individuals, families as well as high net worth individuals. We also serve small and medium size businesses as well as some non-profit businesses. CRA does at times have solicitor agreements and will pay a referral fee under a solicitor agreement which we have with a solicitor. In this situation CRA will require a client to sign a separate disclosure stating that they understand we are paying a referral fee to that solicitor. Any client a solicitor brings us we would always consider as a direct client. This separate fee is not an additional fee for the client to pay and is part and parcel of the fee the client pays directly to CRA.

In addition to the above clients with whom CRA has a direct advisory relationship, we also can and do take on non-direct clients. In this effort we serve other financial advisors and the needs they may have for their clients through our investment advisory services described above. We consider this to be a third-party relationship. These advisors receive the same investment model availability as do CRA's direct clients, except that we do not provide financial planning to any of these advisors or their clients who are not a direct client of CRA. In such engagements, the unaffiliated financial advisor remains exclusively responsible for initial and ongoing suitability of CRA's models for the financial advisor's clients, and all communications between the financial advisor and the client regarding the CRA model designated by the financial advisor.

CRA – LLC does provide its services on a fee for service basis being paid as a percentage of assets under advisement/management with us. We will occasionally offer an hourly rate to a client who would only want to have a limited time engagement with us.

We do not offer a "wrap fee program".

No advisory client will be favored over any other advisory client.

## FEES & SCHEDULE OF COMPENSATION

The annual fee for Investment Supervisory Services or Selection and Monitoring Services will be charged as a percentage of assets under advisement, according to the schedule of our maximum fees below, but are always negotiable up or down:

<u>Assets under advisement</u>	<u>Annual Fee</u>
\$0 - \$500,000	Not Greater than 1.75%
\$500,000 - \$1,000,000	Not Greater than 1.50%
\$1,000,001 - \$2,500,000	Not Greater than 1.25%
\$2,500,001 - \$5,000,000	Not Greater than 1.00%
Over \$5,000,000	Negotiable

Hourly Rates by Partners at \$325/hour

CRA-LLC currently does not and has not historically used any form of performance-based fees.

**Please Note: Fee Differentials-Conflict of Interest.** CRA's representatives determine the amount of advisory fee to be paid by the client within the parameters of the above fee schedule, which could present a *conflict of interest*. No client will be charged more than the reflected maximum annual percentage fee excluding the retention of any passed through internal service fees provided to the custodian and passed on to the broker dealer and a portion of this fee passed on to CRA. As a result, similarly situated clients could pay diverse advisory. CRA's advisory services could also be available from other advisers at a lesser annual percentage advisory fee. Each client should take this potential fee differential into consideration when determining whether or not to engage CRA's services.

**CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above potential for fee differentials and corresponding conflict of interest.**

In addition, the CRA representative, in his/her sole discretion, may charge a fee less than the maximum percentage advisory fee based upon various criteria (i.e. anticipated future earning capacity, anticipated future additional assets, related accounts, account composition, negotiations with client, etc.).

**Conflict of Interest:** As disclosed above, the recommendation by a registered representative that a client may purchase securities (from a representative of Ceros) or insurance commission product presents a *conflict of interest*, as the receipt of any commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from registered representatives. Clients are reminded that they may purchase securities and insurance products recommended by CRA through other non-affiliated broker-dealers and/or

insurance agents.

**CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

CRA clients can choose to have their fees deducted from their account or billed to them directly. This choice is listed distinctly and separately in our advisory agreement. We most typically assess fees on a quarterly basis based on the market value of assets in an account as of the last day of each calendar quarter, but we do have a limited number of clients that we assess fees on a monthly basis instead. All client fees are earned on a pro rata basis. Either party may terminate the advisory service agreement at any time for any reason with 30 days' written notice. In the event, that a client terminates CRA's service in writing, up to 30 days of fees that were charged in advance may be retained by CRA. In the event, that CRA terminates the advisory service in writing, no additional fee will be kept. In the event, that a fee is paid in advance and not earned, CRA reserves the right to retain up to 30 days of fees before the account termination and transfer occurs. Client's refund of the remainder of the fee will be done within 14 days of the termination of CRA's Services.

All fees paid to CRA for investment advisory services are separate and distinct from the fees and expenses charged by the custodian for its services, IRA fees, exchange fees or SEC mailing fees. They are also fully separate and distinct from the fees and expenses charged by mutual funds, ETFs, closed-end funds, collective trusts, unit investment trusts as well as variable annuities and the fees they charge to their shareholders/unitholders and are in addition to CRA's fees. Those separate fees and expenses are described in each of those products prospectuses. Those fees will generally include a management fee, other fund expenses, and a possible distribution fee or service fee. If the fund also imposes sales charges, a CRA client will obtain the fund at Net Asset Value (NAV) meaning without the client paying that stated sales charge.

If CRA uses funds, and it often does, CRA will use "no load funds", investor share class, institutional share class if the client can meet the requirements given by that fund or as stated elsewhere in this brochure. CRA can use "loaded funds" on a load waived basis meaning no sales load is paid by the client and there is no benefit CRA. When selecting mutual fund share classes, CRA may use funds that have an internal service fee (i.e., Rule 12b-1 fees). Servicing fees are typically between [.10% and .25%]. Because certain of CRA's investment adviser representatives are licensed as registered representatives of a broker-dealer (Ceros), its representatives will receive a portion of these internal service fees. These representatives are typically eligible to receive [.75%] of the overall service fees generated.

Neither CRA nor its representatives provide any direct reimbursement or credit against a client's investment advisory fees based on its receipt of service fees. However, when a client is invested in a model portfolio that invests in mutual fund share classes which may pay service fees, CRA reduces its investment advisory fee by an amount that is equal to or exceeds the amount of service fees generated by the client's account. The reduction in the client's advisory fee is made at the time the client invests in a model portfolio that may invest in mutual fund share classes that pay service fees and is not a dollar for dollar credit or offset.

CRA will purchase share classes that pay service fees when share classes without servicing fees are not available. CRA seeks to purchase the least expensive share class that a client is eligible to purchase on the investment platform where the client maintains their account. CRA will not execute transactions away from the broker-dealer where the client maintains their account to avoid purchasing share classes that pay servicing fees. CRA also will not seek waivers of investment minimums for clients without the minimum purchase requirements for institutional share classes or other similar share classes that do not pay service fees that are stated in a fund's prospectus.

The receipt of service fees presents a conflict of interest. In order to mitigate this conflict of interest, CRA discloses it to clients and does not permit any client to pay total advisory fees, when accounting for the receipt of servicing fees, in excess of the percentage fee stated in this document. In addition, CRA selects investments without consideration of the receipt of service fees. **CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

A CRA client may pay a "level" sales charge to the mutual fund but should this occur they would not pay that level sales charge and CRA an asset management fee both. The level sales charge would be received by CRA in lieu of any and all asset management fees and a separate document describing this will be signed by any client paying a level sales charge in lieu of an asset management fee. This will typically occur with clients that have a lesser total account value and it will be done to lessen the impact of the fees that CRA would charge if it were charging a separate asset management fee.

A person could invest in a mutual fund directly, without the services of CRA and would therefore not be a CRA client. In that case, the client would not receive the services provided by CRA which are designed, among other things, to assist the client in determining which products might possibly be appropriate to each client's financial condition and objectives.

Accordingly, the client should review both the fees charged by the funds and the fees charged by CRA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### DISCRETIONARY and NON-DISCRETIONARY ACCOUNTS

Capital Research Advisors prefers to manage assets on a discretionary basis but does on occasion accept an account with limited restrictions. These restrictions can be in the form of not allowing the sale of an existing holding(s) in the account prior to CRA – LLC accepting the account for whatever reason(s) the client may have. These restrictions would need to be defined in writing by the client so that the parameters of the decision can be maintained by CRA and understood by us as well.

There can also be restrictions on what to allow the account to purchase or hold/not hold but again those restrictions would need to be defined by the client and the be agreed to in writing with CRA management.

CRA does not custody any assets whatsoever. CRA always uses a third party to custody (hold and care for) clients assets. CRA acts as an advisor or manager of those assets by an authorization signed by each client(s). With a separate and signed consent from the client which is addressed to the custodian, CRA will direct the custodian to have fees, disclosed in the management agreement, deducted from the account of the client and sent to CRA. These fees are also shown as a line item entry on the statement(s) the client receives.

### **Brokerage Practices**

Given the relationship between CRA investment advisory representatives (an IAR) and Ceros registered representatives (an RR), investment management accounts are generally maintained at National Financial Service ("NFS"), the Ceros-designated custodian. Prior to engaging CRA to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with CRA setting forth the terms and conditions under which CRA shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian ("Ceros" and/or "NFS").

Factors which CRA considers relative to utilizing NFS' services include historical relationship with Ceros and CRA, financial strength, reputation, execution capabilities, and service. Although the commissions and/or transaction fees paid by CRA's clients shall comply with CRA's duty to obtain best execution, a client may pay a commission or transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where CRA determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including execution capability, commission rates, and responsiveness. Accordingly, although CRA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, CRA's investment management fee. CRA's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

**CRA's Chief Compliance Officer, Kenneth D. Graves remains available to address any questions that a client or prospective client may have regarding the above brokerage arrangements.**

**Directed Brokerage:** CRA **does not** generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and CRA will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts

managed by CRA. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

### **Client Referrals**

CRA may compensate a solicitor for client introductions. In such event, the client shall not pay more for CRA's services had the client engaged CRA independent of the solicitor. Both CRA and the solicitor will follow applicable regulatory requirements, including disclosure of the financial arrangement between CRA and the solicitor.

Referrals from Broker-Dealers. In the event that transactions for client accounts are effected through a broker-dealer that refers investment management clients to CRA, the potential for a conflict of interest may arise and corresponding disclosure of such relationship must be made to the client prior to effecting transactions for the client account through the referring broker-dealer, including disclosure thereof in CRA's advisory agreement(s) and/or written disclosure statement. CRA does not currently maintain such arrangements.

### **PROXY VOTING**

CRA does not vote client proxies. Therefore, although CRA may provide investment advisory services relative to client investment assets, CRA clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. CRA and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

### **CUSTODY**

CRA does not custody any assets of clients. All assets are held in custody at the account custodian, generally NFS. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CRA urges you to carefully review such statements. The custodian does not check the accuracy of CRA's fee calculation if debited from the client's account.

### **RISKS**

An investment made through a custodian for CRA to manage is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The value of an investment made through CRA will fluctuate and is subject to investment risks, which means investors could lose money. Some of those risks are shown here.



The market value of the securities held by the account may fluctuate resulting from factors affecting the individual holdings or other factors such as changing economic, political or financial market conditions. An investment made through CRA involves risks similar to those of investing in any publicly traded securities traded on an exchange, such as market fluctuations caused by the factors stated above as well as changes in interest rates and perceived trends in security prices.

The value of a holding in a client's account likely will decline, more or less, in correspondence with any decline in value of the underlying markets which the holdings attempt to match or are correlated to. The holding in the account may not contain the appropriate mix of securities for any particular economic cycle, and the timing of movements from one type of security to another could have a negative effect on the account. This means that based on market and economic conditions, the account's performance could be impacted by these risks.

We attempt to have our equity models in place that do not correlate highly to one another and are not constantly correlated to those underlying markets. This attempt to keep the correlations between these four models' low means that the models, though they can and do change, are structured/selected partially based on their lack of being interconnected to each other. To help this occur we can and do regularly use a tactical overlay in the management of these models. This means the model(s) may have certain points within them that once the model reaches that point, a major change in the holdings of that model will occur.

#### CLOSING

Always feel free to ask CRA for any details you may not understand, may be unclear about or have other questions about. We want you to be as knowledgeable as you feel you need to be as a client or potential client.

**ANY QUESTIONS: CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions regarding this Part 2A.**

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Graves", with a stylized flourish extending from the end.

Ken Graves  
Chief Compliance Officer

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