



**CAPITAL GROUP PRIVATE CLIENT SERVICES, INC.**

333 South Hope Street  
Los Angeles, California 90071  
Phone: (213) 486-9200  
[capitalgroup.com](http://capitalgroup.com)

Form ADV, Part 2A

Date: April 20, 2021

This brochure provides information about the qualification and business practices of Capital Group Private Client Services, Inc. (“CGPCS”). Throughout this brochure and related materials, CGPCS refers 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 CGPCS also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2: MATERIAL CHANGES**

This brochure is a new document prepared according to the requirements and rules of the SEC in connection with CGPCS' initial filing as a registered investment adviser. 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.

<p align="center"><b>ITEM 3: TABLE OF CONTENTS</b></p>
--

<b>Item</b>	<b>Page</b>
1 Cover Page.....	1
2 Material Changes.....	2
3 Table of Contents.....	3
4 Advisory Business.....	4
5 Fees and Compensation.....	5
6 Performance-Based Fees and Side-by-Side Management.....	9
7 Types of Clients.....	10
8 Methods of Analysis, Investment Strategies and Risk of Loss.....	11
9 Disciplinary Information.....	20
10 Other Financial Industry Activities and Affiliations.....	21
11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..	23
12 Brokerage Practices.....	25
13 Review of Accounts.....	33
14 Client Referrals and Other Compensation.....	34
15 Custody.....	35
16 Investment Discretion.....	36
17 Voting Client Securities.....	37
18 Financial Information.....	40
19 Requirements for State-Registered Advisers.....	41

#### ITEM 4: ADVISORY BUSINESS

(i) CGPCS is a wholly-owned subsidiary of Capital Group International, Inc. which in turn is owned by Capital Research and Management Company, which is wholly owned by The Capital Group Companies, Inc (“CGC”). The Capital Group Companies form one of the most experienced families of investment management firms in the world, dating to 1931, and have always been privately held. CGPCS was incorporated in California in 2020 and its primary business is providing investment management and related services primarily to high net-worth individuals and charitable organizations. These services will include investments in separate securities, mutual funds and other pooled investment vehicles.

(ii) providing directed trustee services and custodial services to employer-sponsored retirement plans and individual retirement accounts invested in registered investment companies (“Directed Trustee Services”);

CGPCS’s investment approach is based on rigorous fundamental analysis. CGPCS’s offerings of equity, fixed-income, balanced, and other customized investment strategies are informed by the investment objectives and guidelines (including any specific investment restrictions and limitations) of its clients. The client’s guidelines typically describe the investment mandate and types of securities that are eligible for (or prohibited from) the account. Please also refer to Items 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and 16 (Investment Discretion) in this brochure for further information.

As described above, CGPCS only business is investment management and related services; it does not have any arrangements on behalf of clients with associated banking, brokerage or corporate finance businesses.

## ITEM 5: FEES AND COMPENSATION

Clients will be assessed a flat advisory fee and investment management fee based on total managed assets for all qualifying accounts. CGPCS will invests client assets in (1) separate securities strategies, mutual funds and other pooled investment vehicles and services for which an affiliate of CGPCS serves as investment adviser (the “affiliated services”), and (2) services managed by unaffiliated third parties (“unaffiliated services”). In addition to the fee schedules outlined below, different fee schedules apply for certain long-standing clients of CGPCS and its affiliates as well as clients with customized mandates or special service needs. Generally, fees are not be negotiable.

Sales and marketing professionals employed by CGPCS or an affiliate may receive direct or indirect compensation related to the services CGPCS provides. This will present a conflict of interest, as marketing and sales associates have an incentive to recommend services based upon the compensation they are provided by CGPCS. However, with respect to CGPCS retirement plans, sales and marketing professionals whether employed by CGPCS or an affiliate, do not receive any fees or compensation from any party that vary based upon the investment recommendations made.

### **Advisory fees**

Clients are assessed a flat advisory fee based on total managed assets for all qualifying accounts across the relationship, according to the following schedule:

Total Relationship Assets	Advisory Fee
Assets from \$5 up to \$10 Million	0.650%
From \$10 up to \$15 Million	0.500%
From \$15 up to \$20 Million	0.450%
From \$20 up to \$25 Million	0.400%
From \$25 up to \$35 Million	0.350%
From \$35 up to \$45 Million	0.300%
From \$45 up to \$55 Million	0.275%
From \$55 up to \$75 Million	0.250%
\$75 Million +	0.225%

### **Fees for Separately Managed Investment Services (in addition to the advisory fees discussed above)**

Clients are assessed a flat investment management fee based on the total amount of separately managed assets in qualifying accounts across the relationship, according to the following schedule:

Investment Management Fees	U.S. Equity		Core Bond
		International Equity	Short-Term Bond

		Global Equity	Core Municipal
		World Dividend Growers	Short-Term Municipal
Assets up to \$30 Million	0.425%	0.600%	0.250%
From \$30 up to \$40 Million	0.400%	0.575%	
From \$40 up to \$55 Million	0.375%	0.550%	
From \$55 up to \$65 Million	0.350%	0.525%	
From \$65 up to \$75 Million	0.325%	0.500%	0.225%
From \$75 up to \$90 Million	0.300%	0.475%	
From \$90 up to \$100 Million	0.275%	0.450%	0.200%
From \$100 up to \$200 Million	0.250%	0.425%	
\$200 Million +	0.225%	0.400%	0.175%

### **Minimum Account Size**

There is a minimum managed relationship size of \$5 million. The minimum managed relationship size may be waived from time to time, based on certain factors. In such cases, and for relationships below \$5 million, advisory fees will be assessed based on the following schedule: 1.00% up to \$1 million; 0.90% from \$1 million - \$3 million; and 0.80% from \$3 million - \$5 million.

### **Calculation Methodology and Billing**

Advisory, investment management and trustee fees will be calculated and determined quarterly based on the average of the daily market values within the relevant quarter (unless stated otherwise for a specific fund or strategy below), or the market value of the assets in client accounts, as determined in good faith by CGPCS at the respective fee rates set forth herein. Billing will be quarterly in arrears. Any extraordinary services rendered or expenses incurred by CGPCS will be charged separately. Any unpaid fees due to and unreimbursed expenses incurred by CGPCS at the termination of an account may be deducted from the assets in the account.

### **Additional and other Fees**

CGPCS will charge an administrative service fee of 0.10% annually on assets over which it does not provide investment advice.

For tax-transition services, CGPCS's advisory fees (as set forth above) plus a 0.20% investment management fee will apply.

Certain clients domiciled outside the U.S. that are subject to a limited service offering have a maximum CGPCS advisory fee rate of 0.35%.

## **Fee Discounts**

Advisory fees start at rates below those offered to the general public, for individuals: (i) currently or formerly employed by, or associated with CGPCS and its affiliates (the “associates”); and (ii) in a qualifying Relationship (defined below). All clients should refer to the fee schedule outlined in their investment management agreement for further details and their applicable fees. We may offer fee credits to clients that make and meet a commitment to contribute significant additional assets to their account within a period of opening an account.

## **Mutual funds**

The fees and services discussed below are for discretionary accounts invested in mutual funds. For detailed information regarding a specific fund, please refer to that fund's offering documents.

With respect to mutual fund investments held in an account, CGPCS will have a preference for and will primarily use, and invest in affiliated funds. As described more fully below, CGPCS expects the proportion of affiliated managed investments held in the account relative to holdings of other pooled funds and services to be high, usually 100%, and even where similar unaffiliated services may have lower fees or better historical returns.

CGPCS and its affiliates are compensated for investment advisory and other services they provide in connection with affiliated managed investments. These fees vary by fund and are set forth in the prospectus or other governing instrument. As a result, CGPCS and its affiliates will receive more total revenue when affiliated managed investments are held in the account than if unaffiliated funds or services are held in the account, or when affiliated managed investments with higher fees are held in the account. Any unaffiliated funds or services must meet CGPCS’s investment criteria.

## **Aggregation**

The account values of qualifying accounts across a relationship (a “Relationship”) may be aggregated for purposes of calculating CGPCS investment management and advisory fees, and subject to the approval of the account owners. For these purposes, a “Relationship” may include accounts of the following relatives of a CGPCS client: (i) a spouse;<sup>1</sup> (ii) son/daughter, parent, brother/sister;<sup>2</sup> (iii) grandchild, grandparent, niece/nephew, aunt/uncle, cousin; (iv) son/daughter-in-law, parent-in-law, brother/sister-in-law, grandparent-in-law, niece/nephew-in-law, aunt/uncle-in-law, cousin-in-law;<sup>3</sup> (v) godchild or godparent (and individually, each person referred to in

---

1. Includes legally recognized common law spouses and persons registered as domestic partners under state or local law.

2. Includes step and adoptive relationships.

3. References to “in-laws” include relationships derived from common law spouses and persons registered as domestic partners under state or local law.

(i) through (v), a “Relative”). A Relationship may also include: (a) trust accounts established primarily for the benefit of the CGPCS client or a Relative of such client; (b) charitable entities; and (c) Keogh plans. Finally, other relationships, such as committed life partners, former spouses and certain business relationships, may be approved on a case by case basis.

### **Unaffiliated Services**

As mentioned, CGPCS also provides access to investments in unaffiliated services including private-equity funds and alternative strategy funds designed for fixed-income portfolios. Investment related details including fees and expenses are described in the offering documents for these funds, which CGPCS can provide upon request to qualified investors.



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

CGPCS charges asset-based fees for providing investment advisory services. However, in limited circumstances, CGPCS and its affiliates receive fees that are based on the performance of the account. Managing both types of accounts simultaneously creates a risk of conflicts for the portfolio manager to (i) allocate more attractive investment opportunities to accounts with performance-based fees and/or (ii) make investments for those accounts that are more speculative than for accounts that do not have performance-based fees.

To mitigate these risks, CGPCS 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 CGPCS's policy on allocating trades fairly, which is designed to allocate trades to clients in a fair and equitable manner over time, taking into consideration the interests of each client. Non-investment factors, such as fee arrangements, are not considered when allocating trades among clients.

In addition, while CGPCS and its affiliates provide individual investment advice and treatment to each fund and account, portfolio managers focus on particular investment mandates, using similar investment strategies in connection with the management of multiple portfolios, which helps minimize the potential for conflicts of interest. CGPCS reviews accounts with similar objectives managed by CGPCS and its affiliate at least annually. These reviews generally include, among other things, information related to investment results, including dispersion of results among accounts and reasons for such dispersion, if any, significant account guidelines and the investment structure of the portfolio.

<b>ITEM 7: TYPES OF CLIENTS</b>
---------------------------------

CGPCS provides investment management and related services primarily to high net worth individuals and charitable organizations.

With respect to CGPCS clients: Accounts are generally subject to a minimum relationship and account size requirements referred to in Item 5 (Fees and Compensation).

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

### **METHODS OF ANALYSIS**

CGPCS and the Advisers maintain an investment philosophy that is distinguished by four key beliefs and practices:

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

Investment decisions are consistent with a portfolio's objective(s), investment guidelines, restrictions, and are subject to oversight of the appropriate investment-related committees. The objective(s), policies and restrictions of any fund are set forth in the governing documents of the fund.

### **CGPCS Client Accounts**

In its capacity as discretionary investment manager to clients, CGPCS invests client assets in (1) affiliated services, and (2) unaffiliated services. CGPCS provides asset allocation advice to clients on these investment options and confirms its clients' asset allocation in writing.

With respect to client investments in mutual funds, CGPCS will have a preference for and will primarily use affiliated services. CGPCS expects the proportion of affiliated services held in the account relative to holdings of unaffiliated services to be high, usually 100%, and even where similar unaffiliated services may have lower fees or better historical returns. Unaffiliated services may be appropriate for client accounts when, for example, a: (1) client transfers a fund from a prior account to CGPCS and selling the fund would incur adverse tax consequences for the client; or (2) fund offers exposure to an asset class or investment style that CGPCS believes

is appropriate for the client but that is not offered by CGPCS or an affiliate. In addition, CGPCS will have a preference for the CGPCS Funds and the CGPCS separate securities strategies over the other affiliated services.

The Manager Research Team of CGPCS (“MRT”) reviews any unaffiliated services for use in client discretionary portfolios, and any such fund must meet its investment criteria. When evaluating unaffiliated services for inclusion in client portfolios, the MRT will conduct due diligence and may consult with and rely on information provided by outside research providers. In conducting its research and analysis, the MRT will take into consideration a number of factors, including but not limited to: the appropriateness of the investment strategy for CGPCS clients, the integrity of and stability of the manager and its investment team, consistency of investment process, long-term investment results, portfolio turnover, fees, reputational risk and conflicts of interest. Generally, no single factor will determine whether an unaffiliated service will meet the MRT’s investment criteria, and some factors carry greater weight than others. For example, MRT’s criteria are not solely based on performance relative to peers or benchmarks.

## **INVESTMENT STRATEGIES**

The following are descriptions of the investment strategies offered by CGPCS:

### **Equity strategies**

***U.S. Equity*** — The strategy seeks to provide prudent growth of capital and conservation of principal. It focuses on high-quality U.S. companies with compelling business models, proven management teams and promising long-term growth prospects.

***International Equity*** — The strategy seeks to provide prudent growth of capital and conservation of principal. It focuses on high-quality companies outside the U.S. with compelling business models, proven management teams and promising long-term growth prospects.

***Global Equity*** — The strategy seeks to provide prudent growth of capital and conservation of principal. It focuses on high-quality companies with compelling business models, proven management teams and promising long-term growth prospects.

***World Dividend Growers*** — The strategy seeks to provide long-term total returns by investing in companies globally that have the potential to provide combinations of current yield and dividend growth.

### **Fixed-Income strategies**

***Core Municipal*** – The strategy seeks to provide current income exempt from federal income tax while preserving your investment. The strategy seeks to achieve its objective by investing primarily in municipal bonds.

***Core Bond*** – The strategy seeks to provide current income while preserving your investment. The strategy primarily invests in debt securities, including securities issued and guaranteed by the U.S. government and securities backed by mortgages or other assets.

***California Core Municipal*** – The strategy seeks to provide current income exempt from federal and California income taxes while preserving your investment. The strategy seeks to achieve its objective by primarily investing in municipal bonds issued by the state of California and its agencies and municipalities.

***California Short Term Municipal*** – The strategy seeks to preserve your investment and secondarily to provide current income exempt from federal and California income taxes. The strategy seeks to achieve its objectives by primarily investing in municipal bonds issued by the state of California and its agencies and municipalities.

***New York Core Municipal*** – The strategy seeks to provide current income exempt from federal and New York income taxes while preserving your investment. The strategy seeks to achieve its objective by primarily investing in municipal bonds issued by the state of New York and its agencies and municipalities.

***Short Term Bond*** – The strategy seeks to preserve capital while providing current income consistent with the strategy's maturity and quality standards. The strategy primarily invests in debt securities, including securities issued and guaranteed by the U.S. government and securities backed by mortgages or other assets.

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

- ***Market conditions*** — The prices of, and the income generated by, the securities held by the strategy may decline – sometimes rapidly or unpredictably – due to various factors, including events or conditions affecting the general economy or particular industries; overall market changes; local, regional or global political, social or economic instability; governmental, governmental agency or central bank responses to economic conditions; and currency exchange rate, interest rate and commodity price fluctuations.

Economies and financial markets throughout the world are highly interconnected. Economic, financial or political events, trading and tariff arrangements, wars, terrorism, cybersecurity events, natural disasters, public health emergencies (such as the spread of infectious disease) and other circumstances in one country or region, including actions taken by governmental or quasi-governmental authorities in response to any of the foregoing, could have impacts on global economies or markets. As a result, whether or not the strategy invests in securities of issuers located in or with significant exposure to the countries affected, the value and liquidity of the strategy's investments may be negatively affected by developments in other countries and regions.

- **Issuer risks** — The prices of, and the income generated by, securities held by the strategy may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance, major litigation, investigations or other controversies related to the issuer, changes in government regulations affecting the issuer or its competitive environment and strategic initiatives such as mergers, acquisitions or dispositions and the market response to any such initiatives.
- **Investing in debt instruments** — The prices of, and the income generated by, bonds and other debt securities held by the strategy may be affected by factors such as the interest rates, maturities and credit ratings of these securities. Rising interest rates will generally cause the prices of bonds and other debt securities to fall. A general rise in interest rates may cause investors to sell debt securities on a large scale, which could also adversely affect the price and liquidity of debt securities and could also result in increased redemptions from the account. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in the account failing to recoup the full amount of its initial investment and having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer or guarantor will weaken or be perceived to be weaker, 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. A downgrade or default affecting any of the strategy's securities could cause the value of the account's shares to decrease. Credit risk is gauged, in part, by the credit ratings of the debt securities in which the strategy invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The strategy's investment adviser relies on its own credit analysts to research issuers and issues in seeking to assess credit and default risks.

- **Credit and liquidity support** — Changes in the credit quality of banks and financial institutions providing credit and liquidity support features with respect to securities held by the strategy could cause the values of these securities to decline.
- **Investing in lower rated debt instruments** — Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty.
- **Liquidity risk** — Certain strategy holdings may be or may become difficult or impossible to sell, particularly during times of market turmoil.

Liquidity may be impacted by the lack of an active market for a holding, legal or contractual restrictions on resale, or the reduced number and capacity of market participants to make a

market in such holding. Market prices for less liquid or illiquid holdings may be volatile, and reduced liquidity may have an adverse impact on the market price of such holdings. Additionally, the sale of less liquid or illiquid holdings may involve substantial delays (including delays in settlement) and additional costs and the account may be unable to sell such holdings when necessary to meet its liquidity needs or may be forced to sell at a loss.

- ***Investing in similar municipal bonds*** — Investing significantly in municipal obligations of multiple issuers in the same state or backed by revenues of similar types of projects or industries may make the strategy more susceptible to certain economic, political or regulatory occurrences. As a result, the strategy has greater risk of volatility, and greater risk of loss, from these investments.
- ***Investing in municipal bonds of issuers within the state of California*** — Because the strategy invests primarily in securities of issuers within the state of California, the strategy is more susceptible to factors adversely affecting issuers of California securities than a comparable municipal bond mutual fund that does not concentrate its investments in a single state. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.
- ***Investing in municipal bonds of issuers within the state of New York*** — Because the strategy invests primarily in securities of issuers within the state of New York, the strategy is more susceptible to factors adversely affecting issuers of New York securities than a comparable municipal bond mutual fund that does not concentrate its investments in a single state. For example, in the past, New York voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of New York governmental entities, and future voter initiatives may adversely affect New York municipal bonds.
- ***Investing in mortgage-related and other asset-backed securities*** — Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. While such securities are subject to the risks associated with investments in debt instruments generally (for example, credit, extension and interest rate risks), they are also subject to other and different risks. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt, potentially increasing the volatility of the securities and the account's net asset value. When interest rates fall, borrowers are more likely to refinance or prepay their debt before its stated maturity. This may result in the strategy having to reinvest the proceeds in lower yielding securities, effectively reducing the account's income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing the account's cash available for reinvestment in higher yielding securities. Mortgage-backed securities are also subject to the risk that underlying borrowers will be unable to meet their obligations and the value of property that secures the mortgages may decline in value and be

insufficient, upon foreclosure, to repay the associated loans. Investments in asset-backed securities are subject to similar risks.

- ***Investing in securities backed by the U.S. government*** — Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates and the credit rating of the U.S. government. Securities issued by government-sponsored entities and federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government are neither issued nor guaranteed by the U.S. government.
- ***Investing outside the United States*** — Securities of issuers domiciled outside the United States, or with significant operations or revenues outside the United States, may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuers operate or generate revenue. 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. Issuers of these securities may be more susceptible to actions of foreign governments, such as nationalization, currency blockage or the imposition of price controls or punitive taxes, each of which could adversely impact the value of these securities. 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 accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the United States. In addition, the value of investments outside the United States may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the account. The risks of investing outside the United States may be heightened in connection with investments in emerging markets.
- ***Investing in inflation-linked bonds*** — The values of inflation-linked bonds generally fluctuate in response to changes in real interest rates — i.e., rates of interest after factoring in inflation. A rise in real interest rates may cause the prices of inflation-linked securities to fall, while a decline in real interest rates may cause the prices to increase. Inflation-linked bonds may experience greater losses than other debt securities with similar durations when real interest rates rise faster than nominal interest rates. There can be no assurance that the value of an inflation-linked security will be directly correlated to changes in interest rates; for example, if interest rates rise for reasons other than inflation, the increase may not be reflected in the security's inflation measure.

Investing in inflation-linked bonds may also reduce the account's distributable income during periods of deflation. If prices for goods and services decline throughout the economy, the principal and income on inflation-linked securities may decline and result in losses to the account.

- ***Investing in growth-oriented stocks*** — Growth-oriented common stocks and other equity type securities (such as preferred stocks, convertible preferred stocks and convertible bonds)



may involve larger price swings and greater potential for loss than other types of investments.

- ***Exposure to country, region, industry or sector*** — It is possible that the strategy may have significant exposure to a particular country, region, industry or sector. Such exposure may cause the strategy to be more impacted by risks relating to and developments affecting the country, region, industry or sector. Thus the account's net asset value may be more volatile than an account without such levels of exposure. For example, if the strategy has significant exposure in a particular country, then social, economic, regulatory or other issues that negatively affect that country may have a greater impact on the strategy than on a strategy that is more geographically diversified.
- ***Investing in income-oriented stocks*** — The value of the strategy's securities and income provided by the strategy may be reduced by changes in the dividend policies of, and the capital resources available for dividend payments at, the companies in which the strategy invests.
- ***Investing in Emerging Markets*** — Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed countries. For instance, emerging market countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating the account's net asset value. Additionally, emerging markets are more likely to experience problems with the clearing and settling of trades and the holding of securities by banks, agents and depositories that are less established than those in developed countries.
- ***Management*** — The investment adviser to the strategy actively manages the strategy's investments. Consequently, the strategy is subject to the risk that the methods and analyses, including models, tools and data, employed by the investment adviser in this process may be flawed or incorrect and may not produce the desired results. This could cause the account to lose value or its investment results to lag relevant benchmarks or other strategies with similar objectives.
- ***Cybersecurity risks*** — With the increased use of technologies such as the Internet to conduct business, the accounts have become potentially more susceptible to operational and information security risks through breaches in cybersecurity. In general, a breach in

cybersecurity can result from either a deliberate attack or an unintentional event. Cybersecurity breaches may involve, among other things, infection by computer viruses or other malicious software code or unauthorized access to the accounts' digital information systems, networks or devices through "hacking" or other means, in each case for the purpose of misappropriating assets or sensitive information (including, for example, clients' personal information), corrupting data or causing operational disruption or failures in the physical infrastructure or operating systems that support the accounts. Cybersecurity risks also include the risk of losses of service resulting from external attacks that do not require unauthorized access to the accounts' systems, networks or devices. For example, denial-of-service attacks on the investment adviser's or an affiliate's website could effectively render the accounts' network services unavailable to clients and other intended end-users. Any such cybersecurity breaches or losses of service may cause the accounts to lose proprietary information, suffer data corruption or lose operational capacity, which, in turn, could cause the accounts to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. While the accounts and their investment adviser have established business continuity plans and risk management systems designed to prevent or reduce the impact of cybersecurity attacks, there are inherent limitations in such plans and systems due in part to the ever-changing nature of technology and cybersecurity attack tactics, and there is a possibility that certain risks have not been adequately identified or prepared for.

In addition, cybersecurity failures by or breaches of the accounts' third-party service providers (including, but not limited to, the accounts' investment advisers, transfer agents, custodians, administrators and other financial intermediaries) may disrupt the business operations of the service providers and of the accounts, potentially resulting in financial losses, the inability of clients to transact business with the accounts and of the accounts to process transactions, the inability of the accounts to calculate its net asset value, violations of applicable privacy and other laws, rules and regulations, regulatory fines, penalties, reputational damage, reimbursement or other compensatory costs and/or additional compliance costs associated with implementation of any corrective measures. The accounts and their clients could be negatively impacted as a result of any such cybersecurity breaches, and there can be no assurance that the accounts will not suffer losses relating to cybersecurity attacks or other informational security breaches affecting the accounts' third-party service providers in the future, particularly as the accounts cannot control any cybersecurity plans or systems implemented by such service providers.

Cybersecurity risks may also impact issuers of securities in which the accounts invest, which may cause the accounts' investments in such issuers to lose value.

- ***Operational Events*** – To the extent that an account relies on proprietary and third party data analysis and systems to support investment decision making, there is a risk of software or other technology malfunctions or programming inaccuracies that may impair the performance of these systems. System impairment may negatively impact performance.
- ***Loss of investment*** — An investor may lose money by investing in an account or fund. The likelihood of loss may be greater if the investor invests for a shorter period of time.

- ***Investments are not guaranteed*** — Investments in accounts and funds are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person.
- ***Long-Term Perspective*** – Investors in the account or fund should have a long-term perspective and be able to tolerate potentially sharp declines in value.
- ***Past investment results are not predictive of future investment results.***

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

<b>ITEM 9: DISCIPLINARY INFORMATION</b>
---

Neither CGPCS nor its management persons have been the subject of legal or regulatory findings, or are the subject of any pending criminal proceedings that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. From time to time, CGPCS or its management persons may be subject to regulatory examinations, investigations, litigation or inquiries that arise in the ordinary course of our business. In the event we become aware of any regulatory matter or litigation that we believe would be material to an evaluation of our advisory business, we notify all clients or prospects effected by those events, subject to applicable law and regulation.

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

CGPCS has the following arrangements that are material to its advisory business with certain affiliated entities. Some of CGPCS's directors and executive officers and employees are also directors, officers or employees of one or more affiliates.

### **Broker-dealer**

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

### **Registered Investment Companies**

Capital International, Inc. ("CIInc") and Capital Research and Management Company ("CRMC") serve as investment advisers for investment companies registered under the Investment Company Act of 1940. CIInc and CRMC receive advisory and other fees and expenses from each fund based upon the value of the fund's assets; those fees are described in each fund's governing documents. CRMC is also registered as a commodity pool operator and a member of the National Futures Association.

### **Banks and Trust Companies**

Capital Bank & Trust Company ("CB&T"), a federal savings bank and an investment adviser registered with the U.S. Securities and Exchange Commission, is a wholly-owned subsidiary of CGC. CB&T provides trustee services to certain CGPCS clients.

### **Commodity Pool Operator**

CRMC, an affiliated investment adviser, is registered as a commodity pool operator and a member of the National Futures Association.

### **Other Investment Advisers**

Because our funds, accounts, and our personnel are located around the world, we conduct business through a number of affiliated entities licensed to offer services in various jurisdictions and to perform particular business functions. Though legally distinct, our affiliates function as a unified, global business. We believe that our globally integrated model helps us to serve our

clients' needs better. We often engage our affiliates and their personnel to assist in managing client mandates. For example, our affiliated personnel provide research, portfolio management or trading services to certain client accounts.

Certain portfolio managers employed by the following affiliated investment advisers, under the supervision and review of CGPCS or its affiliates, determine the securities to be purchased and sold for certain clients of CGPCS:

CRMC is an affiliated investment adviser registered with the U.S. Securities and Exchange Commission with which CGPCS shares supervised persons.

Capital Research Company is an affiliated registered investment adviser and indirectly provides investment advisory research to CGPCS. This includes managing assets, subject to the supervision and control of CGPCS, or its other advisory affiliates.

Capital International K.K. ("CIKK") is a Japan-based investment adviser and indirectly provides research information and services to CGPCS.

CIInc is an affiliated investment adviser registered with the U.S. Securities and Exchange Commission as well as with the Monetary Authority of Singapore and the Hong Kong Securities and Futures Commission as it also conducts investment advisory and asset management services in those regions.

Capital International Limited ("CIL") has been authorized by the U.K. Financial Conduct Authority to provide investment advisory and asset management services.

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

None of CIL, CIKK, nor CISA are registered as an investment adviser under the Investment Advisers Act of 1940 and each is deemed to be a "Participating Affiliate" of CGPCS and its affiliates, as this term has been used by the SEC's Division of Investment Management in various no-action letters granting relief from the Advisers Act's registration requirements for certain affiliates of registered investment advisers.

<b>ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>
---

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

The Code of Ethics includes:

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

rules exist for political contributions and activities within the U.S. and restricted associates are required to seek preclearance and approval for political contributions to state and local government officials (or candidates for those positions), federal candidate campaigns and affiliated committees, and political organizations, such as Political Action Committees (PACs).

### **Participation or Interest in Client Transactions**

CGPCS and its affiliates recommend that certain clients invest in commingled funds and other limited partnerships or mutual funds managed by CGPCS or its affiliates. Additionally, CGPCS, in its capacity as investment agent, will be empowered to invest CGPCS 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.

CGPCS's employees may also purchase shares in certain commingled funds and other pooled funds advised by CGPCS or an affiliate of CGPCS. Such purchases take place either through their personal CGPCS account or through retirement plans sponsored by CGC. All such transactions are conducted at net asset value and in accordance with the purchase and redemption provisions as described in either the prospectus or offering memorandum of the fund.



## ITEM 12: BROKERAGE PRACTICES

### **Selecting Broker-Dealers**

#### **Portfolio Transactions**

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

#### **Best Execution**

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

#### **Oversight**

The Capital Group Companies Equity Trading Oversight and Best Execution Committee and the Capital Group Companies Fixed-Income Best Execution Committee provide oversight to CGPCS's policies, procedures and practices relating to best execution. CGPCS obtains third-party analysis of trading execution quality. These analyses compare execution results with various benchmarks which provide quantitative data that is one of many data points that is evaluated to ensure that CGPCS is meeting its best execution obligation.

The Market and Transaction Research group performs in-depth analysis on equity trade execution data and reviews the findings with the Global Equity Trading Manager to enhance the ability to measure and interpret trading costs and their effects on portfolio performance. The Equity Trading Oversight and Best Execution Committee meets periodically to review such trade execution analysis and evaluate the overall quality of execution and trades. The Equity Trading Oversight and Best Execution Committee also reviews equity trading policies and approves changes as appropriate.

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

The Capital Group Companies Corporate Access and Research Services Oversight Committee provides oversight of Capital Group's research management program. It is responsible for evaluating the quality of the research acquired by CGPCS and its affiliates to inform future procurement decisions and payment levels and proposing an annual research budget to the Capital Group Management Committee.

### **Commission Rates**

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

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

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

CGPCS and its affiliates execute portfolio transactions with broker-dealers who provide certain brokerage and/or investment research services to CGPCS and its affiliates but only when in CGPCS's and its affiliates' judgment the broker-dealer is capable of providing best execution for that transaction. CGPCS and its affiliates make decisions for procurement of research separately and distinctly from decisions on the choice of brokerage and execution services. The receipt of these research services permits CGPCS and each affiliate to supplement its own research and analysis and makes available the views of, and information from, individuals and the research staffs of other firms. These services 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.

CGPCS and its affiliates have undertaken to bear the cost of all third-party investment research services for all client accounts they advise. However, in order to compensate certain U.S. broker-dealers for research consumed, and valued, by their investment professionals, affiliates of CGPCS continue to operate a limited commission sharing arrangement with commissions on equity trades for registered investment companies managed by such affiliates. Affiliates of CGPCS voluntarily reimburse such registered investment companies for all amounts collected into the commission sharing arrangement. In order to operate the commission sharing arrangement, affiliates of CGPCS may cause such registered investment companies to pay commissions in excess of what other broker-dealers might have charged for certain portfolio transactions in recognition of brokerage and/or investment research services. In this regard, CGPCS and its affiliates have adopted a brokerage allocation procedure consistent with the requirements of Section 28(e) of the U.S. Securities Exchange Act of 1934. Section 28(e) permits an investment adviser to cause an account to pay a higher commission to a broker-dealer to compensate the broker-dealer or another service provider for certain brokerage and/or investment research services provided to CGPCS and its affiliates, if CGPCS and each affiliate makes a good faith determination that such commissions are reasonable in relation to the value of the services provided to CGPCS and its affiliates in terms of that particular transaction or CGPCS's or its affiliates overall responsibility to their clients.

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

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

Research analysts and portfolio managers periodically participate in a research poll to determine the usefulness and value of the research provided by individual broker-dealers and research providers. Based on the results of this research poll, CGPCS and its affiliates may, through commission sharing arrangements with certain broker-dealers, direct a portion of commissions paid to a broker-dealer by registered investment companies managed by affiliates of CGPCS to be used to compensate the broker-dealer and/or other research providers for research services they provide.

While CGPCS and its affiliates may negotiate commission rates and enter into commission sharing arrangements with certain broker-dealers with the expectation that such broker-dealers will be providing brokerage and research services, none of CGPCS, any of its affiliates or any of their clients incurs any obligation to any broker-dealer to pay for research by generating trading commissions. CGPCS and its affiliates negotiate prices for certain research that may be paid through commission sharing arrangements or by themselves with cash.

### **Cross Trades**

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

### **Exchange or alternative trading system ownership**

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

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

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

### **Client Referrals**

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

### **Directed Brokerage**

In some instances, CGPCS or its affiliates will accept a client's instructions to direct a portion of the account's brokerage commissions to a particular broker or group of brokers so long as the direction is consistent with CGPCS's policy of seeking best execution. CGPCS's ability to meet client direction requests will depend on the broker(s) selected by the client and the securities and markets in which the account invests, among other factors. Furthermore, CGPCS and its

affiliates will only accept requests to direct brokerage from clients who are subject to ERISA only if the client's direction program complies with ERISA.

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

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

Frequently, CGPCS will place orders to purchase or sell the same security for a number of clients of CGPCS and its affiliates that are advised by the same investment division. CGPCS typically aggregates such orders when they are substantially similar. As an aggregated order is executed, securities are allocated to clients in accordance with this policy. CGPCS believes that placing aggregated or "block" trades is consistent with its duty to seek best execution. Further, a client's trades are aggregated with those of other clients only if it is consistent with the terms of the client's investment advisory agreement. CGPCS may not aggregate certain trades only when it believes that doing so will not have a material impact on the price or quality of other transactions.

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

### **Equity Securities**

When executing portfolio transactions in the same equity security for clients, funds or portions of funds over which CGPCS, or any affiliates with which it manages assets, has investment discretion, CGPCS and all such affiliates will normally aggregate purchases or sales and execute them as part of the same transaction or series of transactions. CGPCS and its affiliates normally aggregate purchases or sales with those of funds, or portions of funds, and clients advised by the Capital International Investors and Capital World Investors equity investment divisions of CRMC.

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

Certain clients have requested CGPCS to direct a portion of their trades to a particular broker-

dealer, subject to the CGPCS's duty to seek best execution. If the trader believes that best execution would not be harmed by directing the client's trade to the requested broker-dealer, then the trade for that client may be removed from the block to place the trade with the requested broker-dealer.

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

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

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

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

*Minimum allocation size.* Often, a single aggregated order is executed in a series of smaller transactions over a period of time. In those circumstances, some clients, particularly those that represent a small portion of an aggregated order, may incur significant trade ticket, custody and related fees due to multiple allocations. To reduce the transaction costs that clients may incur as a result of small allocations, CGPCS may observe a minimum

transaction size per client account. These minimums may vary by client account in an effort to treat all clients fairly and equitably.

### **Initial Public Offerings**

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

If the resulting allocation received from the underwriting syndicate is not sufficient to fill all orders, each equity investment division generally allocates the transaction on a pro rata basis based on each account’s authorized order size, unless the relevant investment committee approves another allocation. In certain circumstances orders are placed based on approximate fund asset size; however, no fund will be allocated more than its indication. Allocations may be subject to CGPCS’s and its affiliates market practices for lot sizes. If the allocation places some client accounts below the minimum lot size, then the trading department will exclude those accounts in the allocation process and allocate the remaining shares to other clients on a pro rata basis.

### **Fixed-Income Securities**

When executing portfolio transactions in the same fixed-income security for the funds and other clients over which CGPCS has investment discretion, CGPCS 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.

### **New Fixed-Income Issues**

Funds and accounts are selected to participate in new issuance of fixed-income securities in the same manner as described above. Orders are aggregated for new issues and a block order is placed with the lead arrangers or bookrunners.

If the resulting allocation received from the arrangers is not sufficient to fill all orders, the trade is generally allocated on a pro rata basis based on each account’s authorized order size, unless the relevant investment committee approves another allocation methodology. Consideration may

be given to the factors listed above.

Allocations may be subject to CGPCS' and market practices for lot sizes. If the allocation places some client accounts below the minimum lot size, those accounts may not receive an allocation.

### **Forward Currency Exchange Transactions**

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

### **Identification and Resolution of Trade Errors**

CGPCS maintains policies and procedures that address the identification and remediation of trade errors. These policies and procedures are designed to address the resolution of errors and to provide appropriate oversight and review of such errors. To the extent a trade error occurs, CGPCS seeks to identify and resolve such error in a manner that is fair to its clients as promptly as possible. When determining the loss associated with an error, CGPCS will typically net gains and losses arising from a single error or a series, unless prohibited by applicable law or a specific agreement with the client. CGPCS will address and resolve errors on a case-by-case basis, in its discretion, based on each error's facts and circumstances. CGPCS attempts to resolve similar trade errors in a consistent manner, although we may elect to compensate a client for a loss in certain circumstances where we believe it is not a compensable trade error.

### **Non-Advisory Asset Trades**

As an accommodation for certain clients, CGPCS may agree to provide non-advisory services with respect to certain assets ("Non-Advisory Assets"). Clients retain investment discretion and trading authority over such Non-Advisory Assets, and CGPCS has no investment discretion or trading authority or any responsibility to provide investment advice or recommendations with respect to the Non-Advisory Assets. For clients whose assets are custodied by Pershing Advisor Solutions LLC ("Pershing"), Pershing will execute all trades for equity Non-Advisory Assets pursuant to clients' instructions. With the consent of CGPCS, clients may transfer Non-Advisory Assets to their respective managed accounts and CGPCS will determine how to manage such securities in the context of the overall investment strategy for each client, which may include selling or retaining them in the discretion of CGPCS.



<b>ITEM 13: REVIEW OF ACCOUNTS</b>
------------------------------------

Compliance teams monitor funds and accounts on an ongoing basis and perform periodic reviews. This monitoring and review is conducted to verify that funds and accounts are in compliance with their objectives and guidelines. In addition, certain portfolio data for funds and accounts is periodically reviewed by investment professionals, including portfolio managers.

Investors in pooled investment vehicles are provided periodic portfolio statements and such other reports as they are specifically requested from time to time.

CGPCS clients receive monthly or quarterly detailed statements and such other reports as they may from time to time request.

<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION</b>
---

CGPCS may compensate affiliates for client referrals, client relations and marketing services.

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

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

<b>ITEM 15: CUSTODY</b>
-------------------------

CGPCS does not have physical custody of client assets but is deemed to have custody of certain client assets, as defined under rule 206(4)-2 of the Investment Advisers Act. Clients for which CGPCS is deemed to have custody will receive account statements from a third party custodian bank quarterly or monthly and should carefully review those statements against the account statements provided by CGPCS, if applicable.

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

<b>ITEM 16: INVESTMENT DISCRETION</b>
---------------------------------------

For CGPCS clients:

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

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

CGPCS normally agrees with clients to investment guidelines for new accounts that set forth the objectives of the account and specific investment restrictions and limitations. The guidelines typically describe the investment mandate and types of securities that are eligible for (or prohibited from) the account. However, assets that a client delivers to their account shall be considered non-discretionary assets until that client and CGPCS have agreed on the asset allocation applicable to such assets and whether any such assets will not be managed by CGPCS. In addition, there may be some non-advisory assets that the client and CGPCS have agreed will be subject to the client's sole investment discretion.

Investment discretion and authorizations are described in the investment management agreement signed by CGPCS and the client. The agreement, including any unique investment guidelines, is typically reviewed by administrative and legal personnel (as required) before being signed.

## ITEM 17: VOTING CLIENT SECURITIES

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

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

### Summary

CGPCS is committed to acting in the best interests of its clients. CGPCS views proxies of companies held in client portfolios as significant assets and proxy voting as an integral part of our engagement and the investment process. The voting process reflects our understanding of a company's business, its management and its relationship with shareholders over time. In addition to our annual review of specific proxy proposals (including discussions with corporate management representatives), we meet with companies throughout the year to discuss various governance and proxy voting topics. In all cases, the investment objectives and policies of the clients remain the focus.

These Proxy Voting Procedures and Principles ("Principles") provide an important framework for analysis and decision-making with respect to issues that arise in proxy voting. While we generally adhere to these Principles, we have the flexibility to vote each proposal based on the specific circumstances that we believe are relevant. As a result, each proxy is analyzed and voted on a case-by-case basis.

As a matter of policy, we take an objective approach in assessing and voting on matters, seeking to avoid being influenced by outside sources or business relationships involving interests that may conflict with those of CGPCS and its shareholders. In addition, we do not, as a policy, follow the voting recommendations provided by Institutional Shareholder Services (ISS), Glass-Lewis & Co. or other third party advisory firms ("Advisory Firms"), which provide research that CGPCS may utilize on a case-by-case basis in addition to our proprietary proxy voting, governance and executive compensation research. We periodically assess the information provided by the Advisory Firms, including information regarding potential conflicts of interest.

### Proxy Voting Process

CGPCS seeks to vote all U.S. proxies. Proxies for companies outside the U.S. are also voted, provided there is sufficient time and information available. CGPCS may not exercise its voting authority if voting would impose costs on its clients, including opportunity costs. For example, certain regulators have granted investment limit relief to CGPCS and its affiliates, conditioned upon limiting its voting power to specific voting ceilings. To comply with these voting ceilings, CGPCS will scale back its votes across all funds and accounts it manages on a pro-rata basis

based on assets. In addition, CGPCS may determine not to recall securities on loan to exercise its voting rights when it determines the cost of doing so would exceed the benefits to shareholders or the vote would not have a material impact on the client's investment.

After a proxy is received, the governance and proxy team prepares a summary of the proposals contained in the proxy statement. A notation of any potential conflicts of interest also is included in the summary (see below under "Special Review Procedures").

Investment analysts are generally responsible for making voting recommendations for their investment division on significant votes that relate to companies in their coverage areas. Analysts also review initial recommendations made by the governance and proxy team for routine matters. Depending on the vote, a second recommendation may be made by a proxy coordinator (an investment professional 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. In this way, we seek to bring multiple perspectives to the voting process.

Each of the equity investment divisions has its own proxy voting committee, which is made up of investment professionals within each division. The proxy summary and voting recommendations are made available to the appropriate proxy voting committee for a final voting decision. Therefore, if more than one Fund invests in the same company, certain Funds may vote differently on the same proposal. In addition, while voting recommendations are generally applicable to all Funds managed by the investment division, the Adviser may vote differently depending on the investment objective and strategy of a particular Fund.

## **Special Review Procedures**

### ***Conflicts of Interest***

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

CGPCS has developed procedures to identify and address instances where a vote could appear to be influenced by such a relationship. Under the procedures, prior to a final vote being cast by CGPCS, the relevant proxy committees' voting decisions for proxies issued by Interested Parties are reviewed by a Special Review Committee ("SRC") of the investment division voting the proxy.

If a potential conflict is identified according to the procedure above, the SRC will be provided with a summary of any relevant communications with the Interested Party, the rationale for the

voting decision, information on the organization's relationship with the Interested Party and any other pertinent information. The SRC will evaluate the information and determine whether the decision was in the best interest of Fund shareholders. It will then accept or override the voting decision or determine alternative action. The SRC includes senior investment professionals and legal and compliance professionals.

This summary of CGPCS's Proxy Voting Procedures and Principles is qualified by the full Principles, which is available on request. Also upon request, CGPCS will provide to clients for whom it has proxy voting authority, reports of its proxy voting record related to the securities held in that client's account.

<b>ITEM 18: FINANCIAL INFORMATION</b>
---------------------------------------

CGPCS does not require or solicit pre-payment of investment advisory fees in advance.

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



<b>ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS</b>
--

CGPCS is not registered with any state securities authority.