



**CAPITAL BANK AND TRUST COMPANY**

6455 Irvine Center Drive  
Irvine, California 92618  
Phone: (949) 975-5000  
[capitalgroup.com](http://capitalgroup.com)

Form ADV, Part 2A  
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This brochure provides information about the qualification and business practices of Capital Bank and Trust Company (“CB&T”). Throughout this brochure and related materials, CB&T 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 CB&T also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

<b>ITEM 2: MATERIAL CHANGES</b>
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There have been no material changes since the last update of CB&T's Form ADV, Part 2A brochure dated July 30, 2021.

<p><b>ITEM 3: TABLE OF CONTENTS</b></p>
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#### ITEM 4: ADVISORY BUSINESS

CB&T is a wholly-owned subsidiary of The Capital Group Companies, Inc. The Capital Group Companies form one of the most experienced families of investment management firms in the world, dating to 1931, and have always been privately held. CB&T was formed in July 2000 as a federal savings bank. CB&T's primary businesses include:

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

(ii) providing investment management and related services to institutional clients (the "Institutional Client Services"). In this regard, CB&T offers both collective investment trusts and common trust funds (collectively, "Commingled Funds"), designed for retirement plans, foundations, endowments and other entities for which CB&T acts as investment manager and/or discretionary trustee and oversees their formation and maintenance. CB&T engages other service providers, including affiliates, to assist in administration and investment management of the Commingled Funds. It has retained Capital International, Inc. ("CIInc") and Capital Research and Management Company ("CRMC" and, together with CIInc, the "Advisers") to serve as investment advisers of the Commingled Funds.

CB&T's investment approach is based on rigorous fundamental research. CB&T'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. For discretionary trustee services provided to Commingled Funds, the terms of the fund's governing documents will apply. Please also refer to Items 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and 16 (Investment Discretion) in this brochure for further information.

As described above, CB&T's only business is investment management and related services; it does not provide retail banking services nor does it engage in the brokerage or corporate finance businesses.

As of July 1, 2021, CB&T managed approximately \$38,237,300,000 in client assets (regulatory assets under management) on a discretionary basis.

<b>ITEM 5: FEES AND COMPENSATION</b>
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**WITH RESPECT TO COMMINGLED FUNDS:** The fees and expenses for each Commingled Fund, including fees paid to CB&T and its affiliates, as well as any brokerage and transaction costs, are described in each fund's governing documents as well as each client's agreement with CB&T or its affiliates.

**WITH RESPECT TO SALES AND MARKETING PROFESSIONALS:** Sales and marketing professionals employed by CB&T or an affiliate may receive direct or indirect compensation related to the services CB&T provides. This presents a conflict of interest, as marketing and sales associates have an incentive to recommend services based upon the compensation they are provided by CB&T.

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

CB&T charges asset-based fees for providing investment advisory services. However, in limited circumstances, certain of CB&T's 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, CB&T 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 CB&T'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 CB&T 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. CB&T reviews accounts with similar objectives managed by CB&T 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.

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

CB&T provides directed trustee services and custodial services to employer-sponsored retirement plans and individual retirement accounts invested in registered investment companies, but does not offer discretionary investment advisory services to these clients.

With respect to Commingled Funds: CB&T serves as a discretionary trustee and/or investment manager for Commingled Funds generally designed for retirement plans, foundations and endowments. Investors in these funds generally sign an agreement with CB&T to serve as fiduciary.

While there is no stated minimum account size, participants in the Commingled Funds who are not clients of Capital Group Private Client Services, Inc. (“CGPCS”), an affiliated investment adviser registered with the SEC, are subject to minimum account sizes to invest in the funds, as outlined in the respective Advisers’ Form ADV and the fund’s governing documents.

<b>ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS</b>
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### **METHODS OF ANALYSIS**

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

- Fundamental research underlies all investment decisions: CB&T 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 CB&T 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: CB&T 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.

### **INVESTMENT STRATEGIES**

The following are descriptions of the investment strategies offered by CB&T:

#### **Equity strategies**

***U.S. Equity*** — The fund seeks long-term growth of capital and income. The fund invests primarily in equity and equity-related securities consisting primarily of equity securities of issuers from the U.S. or primarily trade in the U.S. The Fund will focus on investments in larger capitalization companies; however, investments are not limited to a particular capitalization size.



***International Equity*** — The fund seeks long-term growth of capital. The fund invests primarily in equity and equity-related securities: (1) of issuers from non-U.S. countries; or (2) that are primarily traded outside the U.S. The fund will focus on investments in larger capitalization companies; however, investments are not limited to a particular capitalization size. While the assets of the fund may be invested with geographical flexibility, the emphasis will be in securities of developed country issuers. Although the fund intends to concentrate its investments in such securities, the fund may invest in cash, cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates or managed by a third party) and government securities under certain economic conditions. The fund may also invest up to 10% of its assets in the securities of developing country issuers.

***Global Equity*** — The fund seeks to provide long-term growth of capital and income. The fund invests primarily in equity and equity-related securities of U.S. and non-U.S. issuers. The Fund will focus on investments in larger capitalization companies; however, investments are not limited to a particular capitalization size. While the assets of the Fund may be invested with geographical flexibility, the emphasis will be in securities of developed country issuers. Although the Fund intends to concentrate its investments in such securities, the Fund may invest in cash, cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates or managed by a third party) and government securities under certain economic conditions. The Fund may also invest up to 10% of its assets in the securities of developing country issuers.

***International All Countries Equity*** — The fund seeks to provide long-term growth of capital. The fund invests primarily in equity and equity-related securities: (1) of issuers from all countries, excluding the U.S.; or (2) that are primarily traded outside the U.S. The fund may invest with geographical flexibility across developed and developing countries (subject to a limit of 50% of its assets in the securities of developing country issuers). Although the fund intends to concentrate its investments in such securities, the fund may invest in cash, cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates or managed by a third party) and government securities under certain economic conditions.

***Emerging Markets Equity*** — The fund seeks to provide long-term capital growth. The fund will invest primarily in equity and equity-related securities of developing country issuers. Securities of developing country issuers are defined as those: (1) from issuers in developing countries; (2) that are primarily traded in developing countries; or (3) that are deemed to be suitable investments for the fund because they have or are expected to have economic exposure to developing countries (through assets, revenues or profits) of at least 75% or, subject to a limit of 15% of the fund's assets, those with economic exposure between 50% and 75%. Certain factors will be considered in determining whether a country is a developing country, such as whether the country is generally considered to be a developing country by the international community, the overall regulatory environment, limitations or bans on foreign ownership and foreign currency restrictions. Although the fund intends to concentrate its investments in such securities, the fund may invest in cash, cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates or managed by a third party) and developed country government securities under certain economic conditions. The fund may invest up to:

(1) 25% of its assets in a single industry; and (2) 5% of its assets in a single issuer and 10% of the voting securities of a single issuer. The fund may also invest in fixed-income securities.

***Emerging Markets Restricted Equity*** – The fund seeks to provide long-term capital growth. The fund invests primarily in equity and equity-related securities of developing country issuers. The fund invests primarily in equity and equity-related securities of developing country issuers. Securities of developing country issuers are defined as those: (1) from issuers in developing countries; (2) that are primarily traded in developing countries; or (3) that are deemed to be suitable investments for the fund because they have or are expected to have economic exposure to developing countries (through assets, revenues or profits) of at least 75% or, subject to a limit of 15% of the fund's assets, those with economic exposure between 50% and 75%. Certain factors will be considered in determining whether a country is a developing country, such as whether the country is generally considered to be a developing country by the international community, the overall regulatory environment, limitations or bans on foreign ownership and foreign currency restrictions. Although the fund intends to concentrate its investments in such securities, the fund may invest in cash, cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates or managed by a third party) and developed country government securities under certain economic conditions.

***Capital Group AMCAP*** – The fund seeks to provide long-term growth of capital. Invests primarily in common stocks of U.S. companies that have solid long-term growth records and the potential for good future growth. The fund may invest in common stocks and other securities of issuers domiciled outside the United States to a limited extent.

***Capital Group American Mutual*** - The fund strives for the balanced accomplishment of three objectives: current income, growth of capital and conservation of principal. The fund seeks to invest primarily in common stocks of companies that are likely to participate in the growth of the American economy and whose dividends appear to be sustainable. The fund invests primarily in securities of issuers domiciled in the United States and Canada.

***Capital Group EuroPacific Growth*** - The fund's investment objective is to provide long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that are believed to have the potential for growth. The fund may invest a portion of its assets in common stocks and other securities of companies in emerging markets.

***Capital Group Fundamental Investors*** - The fund's investment objective is to achieve long-term growth of capital and income. The fund seeks to invest primarily in common stocks of companies that appear to offer superior opportunities for capital growth and most of which have a history of paying dividends. In addition, the fund may invest significantly in securities of issuers domiciled outside the United States.

***Capital Group Growth Fund of America*** - The fund's investment objective is to provide growth of capital. The fund invests primarily in common stocks and seeks to invest in companies that appear to offer superior opportunities for growth of capital. The fund invests primarily in common stocks of large and mid-capitalization issuers. The fund may invest significantly in securities of issuers domiciled outside the United States.

***Capital Group Investment Company of America*** - The fund's investment objectives are to achieve long-term growth of capital and income. The fund invests primarily in common stocks, most of which have a history of paying dividends. The fund may invest to a limited extent in securities of issuers domiciled outside the United States.

***Capital Group International Growth and Income*** - The fund's investment objective is to provide long-term growth of capital while providing current income. The fund invests primarily in stocks of larger, well-established companies domiciled outside the United States, including in emerging markets and developing countries that the investment adviser believes have the potential for growth and/or to pay dividends. These investments will be primarily in securities of issuers domiciled outside the United States and whose securities are listed primarily on exchanges outside the United States and in cash and cash equivalents and securities held as collateral issued by U.S. issuers.

***Capital Group New Economy*** - The fund's primary investment objective is to provide long-term growth of capital. Current income is a secondary consideration. The fund seeks to achieve its objectives by investing in securities of companies that can benefit from innovation, exploit new technologies or provide products and services that meet the demands of an evolving global economy. The fund may invest a significant portion of its assets in issuers based outside the United States, including those based in developing countries.

***Capital Group World Growth and Income*** - The fund's investment objective is to provide long-term growth of capital while providing current income. The fund invests primarily in common stocks of well-established companies located around the world, many of which have the potential to pay dividends. The fund invests, on a global basis, in common stocks that are denominated in U.S. dollars or other currencies. Under normal market circumstances the fund will invest a significant portion of its assets in securities of issuers domiciled outside the United States, including those based in developing countries.

***Capital Group Washington Mutual Investors*** - The fund's investment objective is to produce income and to provide an opportunity for growth of principal consistent with sound common stock investing. The fund invests primarily in common stocks of established companies that are listed on, or meet the financial listing requirements of, the New York Stock Exchange and have a strong record of earnings and dividends. The fund strives to accomplish its objective through fundamental research, careful selection and broad diversification. In the selection of common stocks and other securities for investment, current and potential yield as well as the potential for long-term capital appreciation are considered. The fund seeks an above-average yield in relation to the S&P 500 Index (a broad, unmanaged index). The fund strives to maintain a fully invested, diversified portfolio, consisting primarily of high-quality common stocks.

***Capital Group New Perspective*** - The fund's investment objective is to provide long-term growth of capital. The fund seeks to take advantage of investment opportunities generated by changes in international trade patterns and economic and political relationships by investing in common stocks of companies located around the world. In pursuing its primary investment objective, the fund invests primarily in common stocks that are believed to have the potential for

growth. In pursuing its secondary objective, the fund invests in common stocks of companies with the potential to pay dividends in the future.

### **Fixed-Income strategies**

***Long Duration Government*** — The fund seeks to maximize risk adjusted returns over the long term. The fund invests in fixed-income securities, denominated in U.S. dollars and generally with a remaining maturity of 8 years or longer. Generally, at least 80% of the Fund's assets will be invested in securities that are issued, guaranteed or sponsored by the U.S. government, including securities issued by federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government. Up to 20% of the Fund's assets may be invested in securities issued by foreign governments, their agencies and instrumentalities, and multilateral and supranational institutions.

***U.S. High-Yield*** — The fund seeks to provide, over the long term, a high level of total return, of which a large component is current income. The fund invests in fixed-income securities denominated in U.S. dollars, as follows: at least 75% of the fund's total assets must be invested in fixed-income securities rated Ba1 or lower or BB+ or lower by a nationally recognized statistical rating organization, or unrated securities which are deemed to be of equivalent investment quality; and cash and cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates or managed by a third party). Such investments may be represented by derivative instruments.

***Emerging Markets Debt*** — The fund seeks to provide, over the long-term, a high level of total return, of which a large component is current income. The fund invests primarily in fixed-income securities of sovereign and corporate issuers in: 1) developing countries 2) in countries rated Ba or lower or BB or lower by a nationally recognized statistical rating organization; or (3) in countries that are on an International Monetary Fund ("IMF") program, have outstanding liabilities to the IMF, or have exited an IMF program no more than 5 years earlier. Such investments may be represented by derivative instruments. The fund may also invest in cash or cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates or managed by a third party).

***Capital Group U.S. Inflation Linked*** – The fund's investment objective is to provide inflation protection and income consistent with investment in inflation-linked securities. The fund seeks to provide inflation protection and income by investing primarily in inflation-linked securities. Normally, the fund invests primarily in inflation-linked bonds issued by U.S. and non-U.S. governments, their agencies or instrumentalities, and corporations.

***Capital Group U.S. Intermediate-Term Fixed Income*** – The fund's investment objective is to provide current income consistent with the maturity and quality standards described in the offering documents and preservation of capital. The fund invests primarily in bonds (bonds include any debt instrument and money market instrument). The fund maintains a portfolio of bonds, other debt securities and money market instruments having a dollar-weighted average effective maturity of no less than three years and no greater than five years under normal market conditions.

***Capital Group U.S. Core Fixed Income*** – The fund’s investment objective is to provide as high a level of current income as is consistent with the preservation of capital. The fund seeks to maximize the portfolio’s level of current income and preserve capital by investing primarily in bonds. Normally the fund invests primarily in bonds and other debt securities. The fund invests a majority of its assets in debt securities rated A3 or better or A- or better by Nationally Recognized Statistical Ratings Organizations, or in debt securities that are unrated but determined to be of equivalent quality, including U.S. government securities, money market instruments or cash. The fund primarily invests in debt securities denominated in U.S. dollars.

***Balanced and total opportunity strategies***

***Capital Group American Balanced*** - The investment objectives of the fund are: (1) conservation of capital, (2) current income and (3) long-term growth of capital and income. The fund uses a balanced approach to invest in a broad range of securities, including common stocks and investment-grade bonds (rated Baa3 or better or BBB- or better by Nationally Recognized Statistical Rating Organizations or unrated but determined to be of equivalent quality). The fund also invests in securities issued and guaranteed by the U.S. government and by federal agencies and instrumentalities. In addition, the fund may invest a portion of its assets in common stocks, most of which have a history of paying dividends, bonds and other securities of issuers domiciled outside the United States. Though the fund will invest in both equity and debt securities, the fund will normally invest more heavily in common stocks and other equity securities than in fixed income securities. Although the fund focuses on investments in medium to larger capitalization companies, the fund’s investments are not limited to a particular capitalization size.

***Target Date Retirement Series*** – Depending on the proximity to its target date, which we define as the year that corresponds roughly to the year in which the investor expects to retire, the fund will seek to achieve the following objectives to varying degrees: growth, income and conservation of capital. The fund will increasingly emphasize income and conservation of capital by investing a greater portion of its assets in fixed income, equity-income and balanced funds as it approaches and passes its target date. In this way, the fund seeks to balance total return and stability over time.

**INVESTMENT RISKS**

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

- ***Management*** — CB&T actively manages client’s investments. Consequently, the funds are subject to the risk that the methods and analyses including models, tools and data employed by CB&T in this process which may not produce the desired results. This could cause a fund to lose value or their investment results to lag relevant benchmarks or other funds with similar objectives.

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

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 fund invests in securities of issuers located in or with significant exposure to the countries affected, the value and liquidity of the fund's investments may be negatively affected by developments in other countries and regions.

- **Investing in stocks** — Investing in stocks may involve larger price swings and greater potential for loss than other types of investments. As a result, the value of the fund may be subject to sharp declines in value. Income provided by an underlying fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the underlying fund invests. These risks may be even greater in the case of smaller capitalization stocks. As the fund nears its target date, a decreasing proportion of the fund's assets will be invested in underlying funds that invest primarily in stocks.
- **Investing in growth-oriented stocks** — Growth-oriented common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. These risks may be heightened in the case of smaller capitalization stocks.
- **Investing in income-oriented stocks** — The value of the fund's securities and income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available for dividend payments at, the companies in which the fund invests.
- **Issuer risks** — The prices of, and the income generated by, securities held by the fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance, 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.
- **Currency** — The prices of, and the income generated by, many securities may be affected by changes in relative currency values. If the U.S. dollar appreciates against foreign currencies, the value in U.S. dollars of the fund's securities denominated in such currencies would generally fall and vice versa. U.S. dollar denominated securities of foreign issuers may also

be affected by changes in relative currency values. In a typical CDSI transaction, one party – the protection buyer – is obligated to pay the other party – the protection seller – a stream of periodic payments over the term of the contract, provided generally that no credit event on an underlying reference obligation has occurred. If such a credit event has occurred, the protection seller must pay the protection buyer the loss on those credits.

- ***Currency Transactions*** – In addition to the risks generally associated with investing in derivative instruments, the use of forward currency contracts involves the risk that currency movements will not be accurately predicted by the investment adviser, which could result in losses to the fund. While entering into forward currency contracts could minimize the risk of loss due to a decline in the value of the hedged currency, it could also limit any potential gain that may result from an increase in the value of the currency. Additionally, the adviser may use forward currency contracts to increase exposure to a certain currency or to shift exposure to currency fluctuations from one country to another. Forward currency contracts may expose the fund to potential gains and losses in excess of the initial amount invested.
- ***Investing in small companies*** — Investing in smaller companies may pose additional risks. For example, it is often more difficult to value or dispose of small company stocks and more difficult to obtain information about smaller companies than about larger companies. Furthermore, smaller companies often have limited product lines, operating histories, markets and/or financial resources, may be dependent on one or a few key persons for management, and can be more susceptible to losses. Moreover, the prices of their stocks may be more volatile than stocks of larger, more established companies, particularly during times of market turmoil.
- ***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 and auditing practices and standards and different regulatory, legal and reporting requirements, 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 fund. The risks of investing outside the United States may be heightened in connection with investments in emerging markets.
- ***Investing in emerging market countries*** — 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 tend to have less

developed political, economic and legal systems and accounting and auditing practices and standards than those in developed countries. Accordingly, the governments of these countries may be less stable and more likely to intervene in the market economy, for example, by imposing capital controls, nationalizing a company or industry, placing restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or imposing punitive taxes that could adversely affect the prices of securities. Information regarding issuers in emerging markets may be limited, incomplete or inaccurate, and there may be fewer rights and remedies available to the fund and its shareholders. In addition, the economies of these countries may be dependent on relatively few industries and may be more susceptible to changes in local and global trade conditions and downturns in the world economy. 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 fund'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.

- ***Exposure to country, region, industry or sector*** — Subject to the fund's investment limitations, the fund may have significant exposure to a particular country, region, industry or sector. Such exposure may cause the fund to be more impacted by risks relating to and developments affecting the country, region, industry or sector, and thus its net asset value may be more volatile, than a fund without such levels of exposure. For example, if the fund has significant exposure in a particular country, then social, economic, regulatory or other issues that negatively affect that country may have a greater impact on the fund than on a fund that is more geographically diversified.
- ***Investing in debt instruments*** — The prices of, and the income generated by, bonds and other debt securities held by the fund may be affected by 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 fund. Falling interest rates may cause an issuer to redeem, call or refinance a debt security before its stated maturity, which may result in the fund 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 fund's securities



could cause the value of the fund's shares to decrease. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. Credit risk is gauged, in part, by the credit ratings of the debt securities in which the fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The fund's investment adviser relies on its own credit analysts to research issuers and issues in seeking to assess credit and default risks.

- ***Investing in lower rated debt instruments*** — Lower rated bonds and other lower rated debt securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer's creditworthiness than those of higher quality debt securities. The market prices of these securities may fluctuate more than the prices of higher quality debt securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds.
- ***Investing in securities backed by the U.S. government*** — Securities backed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates 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.
- ***Interest rate risk*** — The values and liquidity of the securities held by the fund may be affected by changing interest rates. For example, the values of these securities may decline when interest rates rise and increase when interest rates fall. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities. The fund may invest in variable and floating rate securities. When the fund holds variable or floating rate securities, a decrease in market interest rates will adversely affect the income received from such securities and the net asset value of the fund's shares. Although the values of such securities are generally less sensitive to interest rate changes than those of other debt securities, the value of variable and floating rate securities may decline if their interest rates do not rise as quickly, or as much, as market interest rates. Conversely, floating rate securities will not generally increase in value if interest rates decline. During periods of extremely low short-term interest rates, the fund may not be able to maintain a positive yield and, given the current low interest rate environment, risks associated with rising rates are currently heightened.
- ***Investing in future delivery contracts*** — The fund may enter into contracts, such as to-be-announced contracts and mortgage dollar rolls, that involve the fund selling mortgage-related securities and simultaneously contracting to repurchase similar securities for delivery at a future date at a predetermined price. This can increase the fund's market exposure, and the market price of the securities that the fund contracts to repurchase could drop below their purchase price. While the fund can preserve and generate capital through the use of such contracts by, for example, realizing the difference between the sale price and the future

purchase price, the income generated by the fund may be reduced by engaging in such transactions. In addition, these transactions increase the turnover rate of the fund.

- ***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 a fund'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 fund.
- ***Investing in mortgage-related and other asset backed securities*** — Mortgage-related securities, such as mortgage-backed securities, and other asset-backed securities, include debt obligations that represent interests in pools of mortgages or other income-bearing assets, such as consumer loans or receivables. Such securities often involve risks that are different from or more acute than the risks associated with investing in other types of debt securities. Mortgage-backed and other asset-backed securities are subject to changes in the payment patterns of borrowers of the underlying debt, potentially increasing the volatility of the securities and the fund'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 fund having to reinvest the proceeds in lower yielding securities, effectively reducing the fund's income. Conversely, if interest rates rise and borrowers repay their debt more slowly than expected, the time in which the mortgage-backed and other asset-backed securities are paid off could be extended, reducing the fund's cash available for reinvestment in higher yielding securities. 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 derivatives*** — The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may expose the fund to losses in excess of its initial investment. Derivatives may be difficult to value, difficult for the fund to buy or sell at an opportune time or price and difficult, or even impossible, to terminate or otherwise offset. The fund's use of derivatives may result in losses to the fund, and investing in derivatives may reduce the fund's returns and increase the fund's price volatility. The fund's counterparty to a derivative transaction (including, if applicable, the fund's clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction. In certain cases, the fund may be hindered or delayed in exercising remedies

against or closing out derivative instruments with a counterparty, which may result in additional losses.

- ***Investing in swaps*** — Swaps, including interest rate swaps and credit default swap indices, or CDSI, are subject to many of the risks generally associated with investing in derivative instruments. Additionally, although swaps require no or only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a swap contract could greatly exceed the initial amount invested. The use of swaps involves the risk that the investment adviser will not accurately predict anticipated changes in interest rates or other economic factors, which may result in losses to the fund. If the fund enters into a bilaterally negotiated swap transaction, the counterparty may fail to perform in accordance with the terms of the swap agreement. If a counterparty defaults on its obligations under a swap agreement, the fund may lose any amount it expected to receive from the counterparty, potentially including amounts in excess of the fund's initial investment. Certain swap transactions are subject to mandatory central clearing or may be eligible for voluntary central clearing. Although clearing interposes a central clearinghouse as the ultimate counterparty to each participant's swap, central clearing will not eliminate (but may decrease) counterparty risk relative to uncleared bilateral swaps. Some swaps, such as CDSI, may be dependent on both the individual credit of the fund's counterparty and on the credit of one or more issuers of any underlying assets. If the fund does not correctly evaluate the creditworthiness of its counterparty and, where applicable, of issuers of any underlying reference assets, the fund's investment in a swap may result in losses to the fund.
- ***Investing in futures contracts*** — In addition to the risks generally associated with investing in derivative instruments, futures contracts are subject to the creditworthiness of the clearing organizations, exchanges and futures commission merchants with which the fund transacts. Additionally, although futures require only a small initial investment in the form of a deposit of initial margin, the amount of a potential loss on a futures contract could greatly exceed the initial amount invested. While futures contracts are generally liquid instruments, under certain market conditions futures may be deemed to be illiquid. For example, the fund may be temporarily prohibited from closing out its position in a futures contract if intraday price change limits or limits on trading volume imposed by the applicable futures exchange are triggered. If the fund is unable to close out a position on a futures contract, the fund would remain subject to the risk of adverse price movements until the fund is able to close out the futures position. The ability of the fund to successfully utilize futures contracts may depend in part upon the ability of the fund's investment adviser to accurately forecast interest rates and other economic factors and to assess and predict the impact of such economic factors on the futures in which the fund invests. If the investment adviser incorrectly forecasts economic developments or incorrectly predicts the impact of such developments on the futures in which it invests, the fund could be exposed to the risk of loss.
- ***Hedging*** – There may be imperfect or even negative correlation between the prices of the options and futures contracts in which the fund invests and the prices of the underlying securities or indexes which the fund seeks to hedge. For example, options and futures contracts may not provide an effective hedge because changes in options and futures contract prices may not track those of the underlying securities or indexes they are intended to hedge.

In addition, there are significant differences between the securities market, on the one hand, and the options and futures markets, on the other, that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for options and futures, including technical influences in options and futures trading, and differences between the financial instruments being hedged and the instruments underlying the standard contracts available for trading. A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected interest rate trends. In addition, the fund's investment in exchange-traded options and futures and their resulting costs could limit the fund's gains in rising markets relative to those of the underlying fund, or to those of unhedged funds in general.

- ***Lending of portfolio securities*** – Securities lending involves risks, including the risk that the loaned securities may not be returned in a timely manner or at all and/or the risk of a loss of rights in the collateral if a borrower or the lending agent defaults. These risks could be greater for non-U.S. securities. Additionally, the fund may lose money from the reinvestment of collateral received on loaned securities in investments that decline in value, default or do not perform as expected.
- ***Liquidity risk*** — Certain fund 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 fund may be unable to sell such holdings when necessary to meet its liquidity needs or may be forced to sell at a loss.
- ***Cash equivalents*** — Cash equivalents, such as commercial paper, asset-backed commercial paper, short term-bank obligations and corporate bonds and notes that mature or may be redeemed or mature within thirteen months or less, like other fixed income instruments are subject to interest rate risk. However, the short-term nature of a commercial paper investment makes it less susceptible to volatility than many other fixed income securities because interest rate risk typically increases as maturity lengths increase. Commercial paper is often unsecured, but may be supported by letters of credit or other forms of collateral. Maturing commercial paper are usually repaid by the issuer from the proceeds of new commercial paper issuances. As a result, investment in commercial paper is subject to rollover risk, or the risk that the issuer cannot issue enough new commercial paper to satisfy its outstanding commercial paper. As with all fixed income securities, there is a chance that the issuer will default on its short-term obligations and these securities may become illiquid or suffer from reduced liquidity in these or other situations.
- ***Cybersecurity risks*** — With the increased use of technologies such as the Internet to conduct business, the fund has 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 fund's digital information systems, networks or devices used directly or indirectly by the fund or its service providers through "hacking" or other means, in each case for the purpose of misappropriating assets or sensitive information (including, for example, personal shareholder information), corrupting data or causing operational disruption or failures in the physical infrastructure or operating systems that support the fund. Cybersecurity risks also include the risk of losses of service resulting from external attacks that do not require unauthorized access to the fund's systems, networks or devices. For example, denial-of-service attacks on the investment adviser's or an affiliate's website could effectively render the fund's network services unavailable to fund shareholders and other intended end-users. Any such cybersecurity breaches or losses of service may cause the fund to lose proprietary information, suffer data corruption or lose operational capacity, which or may result in unauthorized release or other misuse of confidential information. These, in turn, could cause the fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. While the fund and its 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 fund's third-party service providers (including, but not limited to, the fund's investment adviser, transfer agent, custodian, administrators and other financial intermediaries) may disrupt the business operations of the service providers and of the fund, potentially resulting in financial losses, the inability of fund shareholders to transact business with the fund and of the fund to process transactions, the inability of the fund 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 fund and its shareholders could be negatively impacted as a result of any such cybersecurity breaches, and there can be no assurance that the fund will not suffer losses relating to cybersecurity attacks or other informational security breaches affecting the fund's third-party service providers in the future, particularly as the fund cannot control any cybersecurity plans or systems implemented by such service providers.

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

- ***Operational Events*** – To the extent that a strategy relies on proprietary and third party data analysis and systems to support investment decision making, there is a risk of software or other technology malfunctions or programming inaccuracies that may impair the performance of these systems. System impairment may negatively impact performance.

- ***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.***

For Target Date fund investments, additional risks include:

- ***Allocation risk*** — Investments in the fund are subject to risks related to the investment adviser's allocation choices. The selection of the underlying funds and the allocation of the fund's assets could cause the fund to lose value or its results to lag relevant benchmarks or other funds with similar objectives. The fund may invest in an underlying fixed-income fund that is a non-diversified investment company under the Investment Company Act of 1940. To the extent that the fund invests a larger percentage of its assets in securities of one or more issuers, poor performance by these securities could have a greater adverse impact on the fund's investment results.
- ***Proprietary funds*** – The fund invests only in underlying funds offered and/or managed by the trustee or its affiliates, including the investment adviser. The fund does not intend to invest in unaffiliated funds. The fund's fees will not vary based on the allocation to underlying funds. The investment results of the fund may differ if it invested in non-proprietary funds.
- ***Underlying fund risks*** — Because the fund's investments consist of underlying funds, the fund's risks are directly related to the risks of the underlying funds. For this reason, it is important to understand the risks associated with investing in the underlying funds, as described below.

Through the underlying funds in which it invests, the fund will, over time, have significant exposure to a range of different security types, including growth-oriented and dividend-paying common stocks and a variety of fixed income investments. Through its underlying fund investments, the fund will typically have exposure to issuers domiciled outside the United States, including issuers domiciled in emerging markets. The fund will also have exposure to issuers with a broad range of market capitalizations, including smaller capitalization issuers.

Each fund will invest in some, but not all, of the underlying funds for which principal risks are listed below. Accordingly, not all of the principal risks listed below necessarily apply to each fund's underlying funds.

Each fund's risks will vary based on the combination and weightings of the underlying funds held. For example, risks related to investing in stocks and investing outside the U.S. will be higher for funds that are further from their target date. Those risks will decline and risks associated with investing in fixed income securities will rise as a fund gets closer to its target date.

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

If a third party delivers client securities or funds to the investment adviser in connection with, among other things, a securities law related lawsuit or regulatory order (e.g., proceeds from a class action settlement or Fair Fund account), corporate action, tax refund or reclaim, such securities or funds will be forwarded to the client or the client's custodian. In certain circumstances, however, if the intended recipient cannot be readily identified, they may be returned to sender, escheated or donated as deemed appropriate by the investment adviser.

<b>ITEM 9: DISCIPLINARY INFORMATION</b>
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Neither CB&T 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, CB&T 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**

CB&T has the following arrangements that are material to its advisory business with certain affiliated entities. Some of CB&T'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 CB&T's affiliates, and provides related services. In addition, certain of CB&T's management persons or other employees are registered representatives of AFD. 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 CB&T'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.

### **Commodity Pool Operator**

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

### **Unregistered Collective Investment Funds**

CB&T serves as the discretionary trustee to privately-offered commingled funds that are exempt from registration. CIInc and CRMC serve as investment advisers to CB&T for these Commingled Funds. CB&T, CRMC, and CIInc all receive compensation in connection with their services to the Commingled Funds. Fees are described in each fund's governing documents.

### **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 CB&T or its affiliates, determine the securities to be purchased and sold for certain clients of CB&T:

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

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

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

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

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, the Financial Services Commission of South Korea and the Australian Securities and Investment 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 CB&T 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>
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CB&T 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 extended, 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**

CB&T's employees may also purchase shares in certain Commingled Funds and other pooled funds advised by CB&T or an affiliate of CB&T. Such purchases take place either through their personal CGPCS account or through retirement plans sponsored by The Capital Group Companies, Inc., the parent company of CB&T. 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**

CB&T 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**

In selecting broker-dealers, CB&T and its affiliates strive to obtain "best execution" (the most favorable total price reasonably attainable under the circumstances) for its clients' portfolio transactions, taking into account a variety of factors. These factors include the size and type of transaction, the nature and character of the markets for the security to be purchased or sold, the cost, quality, likely speed and reliability of execution and settlement, the broker-dealer's or execution venue's ability to offer liquidity and anonymity and the tradeoff between market impact and opportunity costs. CB&T considers these factors, which involve qualitative judgment, when selecting broker-dealers and execution venues for its clients' portfolio transactions. CB&T 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, CB&T 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 CB&T's policies, procedures and practices relating to best execution. CB&T 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 CB&T 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 CB&T 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**

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

CB&T 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**

CB&T and its affiliates execute portfolio transactions with broker-dealers who provide certain brokerage and/or investment research services to CB&T and its affiliates but only when in CB&T's and its affiliates' judgment the broker-dealer is capable of providing best execution for that transaction. CB&T 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 CB&T 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.

CB&T and its affiliates 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, CB&T and its affiliates operate a limited commission sharing arrangement with commissions on equity trades for registered investment companies managed by CB&T or its affiliates. CB&T and its affiliates voluntarily reimburse such registered investment companies for all amounts collected into the commission sharing arrangement. In order to operate the commission sharing arrangement, CB&T and its affiliates 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, CB&T 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 CB&T and its affiliates, if CB&T and each affiliate makes a good faith determination that such commissions are reasonable in relation to the value of the services provided to CB&T and its affiliates in terms of that particular transaction or CB&T'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, CB&T and its affiliates assess the reasonableness of commissions in light of the total brokerage and investment research services provided to CB&T and its affiliates. Further, research services may be used by all investment associates of CB&T and its affiliates regardless of whether they advise accounts with trading activity that generates eligible commissions. In accordance with its internal brokerage allocation procedure, CB&T 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, CB&T 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 CB&T and its affiliates receive from broker-dealers and other research providers in connection with their good faith determination of reasonableness, CB&T and its affiliates take various factors into consideration, including the quantity, quality and usefulness of the services to CB&T and its affiliates. Based in this information and applying their judgment, CB&T 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, CB&T 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 CB&T or its affiliates to be used to compensate the broker-dealer and/or other research providers for research services they provide.

While CB&T 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 CB&T, any of its affiliates or any of their clients incurs any obligation to any broker-dealer to pay for research by generating trading commissions. CB&T 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, CB&T places cross-trades between client accounts managed by CB&T and its affiliates from time to time. CB&T recognizes that a potential conflict of interest may exist when placing trades between client accounts. To address such potential conflicts, CB&T 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 CB&T currently owns an interest in IEX Group and Luminex Trading and Analytics. CB&T 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. CB&T is subject to the same best execution obligations when trading on any such exchange or alternative trading system.

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

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

### **Client Referrals**

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

### **Directed Brokerage**

In some instances, CB&T 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 CB&T's policy of seeking best execution. CB&T'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, CB&T 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 CB&T 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 CB&T's policy of seeking best execution. In these cases, CB&T 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 CB&T's other clients and funds, and may be executed subsequent to trades for other CB&T accounts and funds. CB&T 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, CB&T cannot assure clients that they will be able to obtain best execution.

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

Frequently, CB&T will place orders to purchase or sell the same security for a number of clients of CB&T and its affiliates that are advised by the same investment division. CB&T 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. CB&T 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. CB&T 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 CB&T, or any affiliates with which it manages assets, has investment discretion, CB&T and all such affiliates will normally aggregate purchases or sales and execute them as part of the same transaction or series of transactions.

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 CB&T to direct a portion of their trades to a particular broker-dealer, subject to the CB&T'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 CB&T's and market practices for lot sizes.

*Additional equity authorizations.* If an additional order to purchase or sell a security is placed after the trader has begun to work the initial orders, 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.

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

*Program and list trades.* CB&T 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. CB&T 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 CB&T 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, CB&T may observe a minimum transaction size per client account. These minimums may vary by client account in an effort to treat all clients fairly and equitably.

## **Initial Public Offerings**

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

If the resulting allocation we receive from the underwriting syndicate is not sufficient to fill all orders, each equity investment division generally allocates the transaction on a pro rata basis based on each account’s authorized order size, unless the relevant investment committee approves another allocation. In certain circumstances orders are placed based on approximate fund or account asset size; however, no fund or account will be allocated more than its indication. Allocations may be subject to CB&T’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 CB&T or one of its affiliated companies has investment discretion, CB&T normally aggregates such purchases or sales and executes them as part of the same transaction or series of transactions.

Fixed-income investment professionals select participating client accounts and place trade orders with the fixed-income trading department. Most trades are allocated on the day the trade is executed (“trade date”), but trades may be allocated on the next business day after the trade date. Executed trades are allocated considering portfolio guidelines and a variety of other factors including: (1) other securities held in the portfolios; (2) appropriateness of the security for the portfolios’ objectives; (3) industry/sector, issue/issuer holdings, portfolio analytic data; (4) size of the portfolios; (5) the size of the confirmed, executed transaction; (6) invested position of the portfolio; and (7) marketability of the security. Once a fixed-income trade has been executed and participating client accounts are identified as described above, all accounts receive the same purchase price when participating in a block trade.

## **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 CB&T's 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**

CB&T 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**

CB&T 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, CB&T 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, CB&T 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. CB&T will address and resolve errors on a case-by-case basis, in its discretion, based on each error's facts and circumstances. CB&T 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.

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

The Commingled Funds are reviewed at least annually by a Committee of the CB&T Board or its designee. The review generally includes, among other things, information related to investment results, significant fund guidelines, and the investment structure of the portfolio. In addition, compliance teams of the investment advisers to CB&T also conduct regular reviews to verify that overall positions are appropriately aligned relative to the funds' objectives.

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

<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION</b>
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CB&T may compensate affiliates for client referrals, client relations and marketing services.

Some of CB&T's clients and prospective clients retain investment consultants to evaluate and recommend investment advisers and their services. CB&T may provide investment management services to these consultants or their affiliates. CB&T 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 CB&T 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, CB&T and its affiliates co-sponsor with other managers or consultants, industry events such as conferences. Also, CB&T and its affiliates purchase other products or services from certain consultants such as data feed transmission, electronic services and related software.

<b>ITEM 15: CUSTODY</b>
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Not applicable.

<b>ITEM 16: INVESTMENT DISCRETION</b>
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CB&T maintains Commingled Funds pursuant to their governing declarations of trust and engages other service providers, including affiliates, to assist in the administration and investment management of these funds. CB&T has retained the Advisers to each serve as investment adviser for the Commingled Funds. CB&T can also act as fiduciary with respect to a particular client's assets transferred to CB&T for investment in the Commingled Funds, as directed by the client pursuant to an agreement. However, CB&T does not generally exercise discretion with regard to a particular client's decision to invest in one or more Commingled Funds.



<b>ITEM 17: VOTING CLIENT SECURITIES</b>
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CB&T receives investment advisory services from affiliated investment advisers who execute trades for the Commingled Funds and certain other client accounts and has adopted each adviser's Proxy Voting Policies as it relates to those funds and accounts. Please refer to the ADV Part 2A Brochures of the Advisers and CGPCS for more information about their practices related to voting client securities. CB&T will provide a copy of these materials to its clients upon request.

<b>ITEM 18: FINANCIAL INFORMATION</b>
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CB&T does not require or solicit pre-payment of investment advisory fees in advance.

CB&T 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>
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CB&T is not registered with any state securities authority.