

PRIMECAP
MANAGEMENT COMPANY
177 EAST COLORADO BOULEVARD
PASADENA, CALIFORNIA 91105
(626) 304-9222
Internet: primecap.com

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Firm Brochure
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This Brochure provides information about the qualifications and business practices of PRIMECAP Management Company (“PRIMECAP”). If you have any questions about the contents of this Brochure, please contact PRIMECAP’s CCO at (626) 304-9222 and/or cco@primecap.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

PRIMECAP is an investment adviser registered with the SEC under the Investment Advisers Act of 1940. Registration does not imply any certain level of skill or training.

Additional information about PRIMECAP Management Company is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure dated March 29, 2023, serves as the annual update to the Brochure dated March 30, 2022. There have been no material changes during this period.

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Item 4: Advisory Business

PRIMECAP Management Company (“PRIMECAP” or the “Firm”) provides investment management services and is an independent investment advisory firm that was established in 1983 in Pasadena, California. Ownership of PRIMECAP’s voting shares rests with thirteen investment professionals. PRIMECAP’s principal owners are Theo A. Kolokotronis and Joel P. Fried, each of whom own more than 25% but less than 35% of the voting shares of PRIMECAP. The remainder of PRIMECAP’s owners each own less than 25% of the firm’s voting shares.

PRIMECAP’s goal is to provide superior long-term investment results and to satisfy the specific requirements and objectives of its clients. In addition, PRIMECAP was founded with efficiency in mind to minimize administrative burdens and bureaucracy associated with larger organizations. We recognize that our competency is investment management, not administration. Moreover, we view ourselves as stock pickers, not marketers. To this end, the Firm has limited the number of clients it services, enabling it to focus on portfolio management rather than marketing and administration.

PRIMECAP manages equity portfolios for a select number of clients, which include employee benefit and pension plans, endowments, foundations, mutual funds for the Vanguard Group, a collective investment trust, and a sovereign fund. In addition, PRIMECAP acts as the investment adviser to the PRIMECAP Odyssey Funds. PRIMECAP’s five principal portfolio managers are Messieurs Theo A. Kolokotronis, Joel P. Fried, Alfred W. Mordecai, M. Mohsin Ansari, and James Marchetti.

Clients may impose reasonable limitations and restrictions on investing in certain securities, types of securities, or industry sectors, provided they are clearly stated and in writing. The mutual funds for the Vanguard Group and the PRIMECAP Odyssey Funds are not subject to individual investment restrictions but are managed in accordance with the prospectus or similar governing documents.

As of December 31, 2022, PRIMECAP managed \$ 117,232,900,412 in assets, all on a discretionary basis.

Item 5: Fees and Compensation

PRIMECAP provides investment management services to a limited number of separately managed institutional clients, the PRIMECAP Odyssey Funds, and several mutual funds for the Vanguard group. All accounts managed by PRIMECAP pay PRIMECAP a management fee based on a percentage of assets under management.

Fee schedule for Separately Managed Accounts:

The fee schedule for separately managed accounts is fixed and nonnegotiable and is payable in arrears. When an account is opened or terminated, the fee is prorated to the opening or termination date. The investment advisory contract may be terminated by either party as provided in the investment advisory contract.

The clients' fee is calculated by multiplying the account's asset base by the fee schedule below.

<u>Investment Account Value</u>	<u>Annual Fee Rate</u>
On the first \$50 million	.500 of 1%
Next \$200 million	.450 of 1%
Next \$250 million	.375 of 1%
Next \$1.75 billion	.250 of 1%
Next \$2.75 billion	.200 of 1%
Next \$5.00 billion	.175 of 1%
Over \$10.00 billion	.150 of 1%

Clients can include the methodology for calculating fees and the asset base in the investment advisory agreement. Currently, the asset base for certain clients is calculated using a three- or four-month average of the month-end values during the quarter; other clients use the values as of quarter end. In addition, certain clients have the asset base adjusted for material cash flows or calculate the fees by dividing the annual fee by four or multiplied by the days in the quarter and divided by the days in the year. Finally, certain clients with multiple accounts have the accounts combined for billing purposes. Each account's month-end asset value is reconciled to the client's custodian account value.

For the Investment Collective Trust managed by PRIMECAP, the advisory fee is calculated by the client's third-party administrator and reviewed by PRIMECAP.

Clients select the custodians used for their accounts and are responsible for fees charged by the custodian for the custodian's services. Client accounts also incur brokerage and other transactions costs. Please refer to Item 12 – Brokerage Practices of this brochure for additional information.

Vanguard Mutual Funds Advisory Fees and Expenses:

PRIMECAP charges an asset-based fee for the investment advisory services it provides to the Vanguard Funds. The funds include:

- Vanguard PRIMECAP Fund
- Vanguard Capital Opportunity Fund
- Vanguard PRIMECAP Core Fund
- Vanguard Variable Insurance Fund – Capital Growth
- Vanguard U.S. Opportunities Fund (offshore mutual fund)

Vanguard calculates the fees, which are reviewed by PRIMECAP before or at the time of payment. The fees are calculated based on the daily average of net assets for the quarter and payable in arrears. The fee arrangement for each fund is described in each fund's Prospectus and Statement of Additional Information ("SAI") at www.vanguard.com.

PRIMECAP Odyssey Funds Advisory Fees and Expenses:

PRIMECAP charges an asset-based fee for the investment advisory services it provides to the PRIMECAP Odyssey Funds. The funds include:

- PRIMECAP Odyssey Stock Fund
- PRIMECAP Odyssey Growth Fund
- PRIMECAP Odyssey Aggressive Growth Fund

The fee arrangement for each Fund is described in each fund's Prospectus and Statement of Additional Information ("SAI") at www.primecap.com.

Prior to making any investment in the PRIMECAP Odyssey Funds, investors and prospective investors should carefully review the Prospectus and SAI for a comprehensive understating of the terms and conditions applicable for investment.

The PRIMECAP Odyssey Funds can be purchased through brokers or agents unaffiliated with PRIMECAP. The total expense ratio for the share classes of each fund is contained in the relevant Prospectus.

Neither PRIMECAP nor its employees receive commissions or service fees for the sale of securities or other investment products that are recommended or chosen for a client account. In addition, PRIMECAP employees are not paid compensation from the sale of the mutual funds.

Item 6: Performance-Based Fees and Side-By-Side Management

Not applicable. PRIMECAP does not charge performance-based fees for managing client accounts.

Item 7: Types of Clients

PRIMECAP has a select group of institutional clients, which include employee benefit and pension plans, endowments, foundations, mutual funds for the Vanguard Group, a collective investment trust, and a sovereign fund. In addition, PRIMECAP acts as the investment adviser to the PRIMECAP Odyssey Funds.

For PRIMECAP's institutional clients, the minimum initial account size is \$250 million. However, PRIMECAP may depart from the minimum on a case-by-case basis.

The PRIMECAP Odyssey Stock Fund, Odyssey Growth Fund, and Odyssey Aggressive Growth Fund are open to new investors, and each fund has a required minimum investment of \$2,000 for regular accounts, \$1,000 for IRA accounts, and \$100 for additional investments.

For information regarding the required minimum investment for the Vanguard Funds, please refer the Vanguard Funds' Prospectus and Statement of Additional Information at www.vanguard.com.

The Vanguard Capital Opportunity Fund, the Vanguard PRIMECAP Fund, and the Vanguard PRIMECAP Core Fund are currently closed to new shareholders.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

PRIMECAP invests primarily in equity securities and utilizes fundamental research and bottom-up stock picking to construct portfolios. All portfolios are built with the best ideas of each of the managers within the multi-counselor investment process. The main sources of information for research purposes include financial publications, inspections of corporate activities, research materials by others such as sell-side analysts, companies' annual reports and any related filings and press releases, meetings with executives of companies and their suppliers, competitors, customers, etc. The strategy does not employ short sales or margin transactions, nor does it permit investments in derivatives or currency hedging.

Initial Public Offerings (IPOs) may be purchased in portfolios that permit participation in IPOs, and not otherwise prohibited due to client-imposed restrictions. Each managed portfolio is assigned into one of three categories: Vanguard Funds, PRIMECAP Odyssey Funds, and separate accounts. When PRIMECAP receives an IPO allocation for issuers that trade on U.S. exchanges, the shares are first allocated to each of the categories based on the market value of assets in the category. The shares allocated to the Vanguard Funds and the PRIMECAP Odyssey Funds are then subsequently allocated to one or more funds in the respective categories based on the investment strategies of the funds. IPO shares are also allocated to one or more of the separately managed account(s). The account or accounts are selected randomly; however, if an account has previously participated in an IPO, that account is not eligible for another IPO until all other eligible accounts have received an IPO allocation.

Due to political, market and other risks associated with foreign issuers and exchanges, there may be times when the separately managed accounts will not be approved to participate in the IPO allocation. In making this determination, the size of the position, the issuer's country of domicile, the exchange where the security trades, and the client's objectives are considered.

We believe the process outlined above provides an equitable systematic approach for the eligible accounts to participate in IPOs. However, we recognize that there may be variation in account-to-account performance.

Each account is managed by PRIMECAP's Portfolio Managers. Each Portfolio Manager has sole decision-making authority over the portion of the assets (sleeve) they manage in the account (subject to regulatory restrictions and client mandates). Other than regulatory restrictions, client mandates or client cash flows, Portfolio Manager actions must be in accordance with PRIMECAP's approved Buy/Sell List. Portfolio Managers are investment generalists, investing across all sectors.

PRIMECAP's Analysts may also manage money in select accounts. Analyst's portfolio management responsibilities are designated by PRIMECAP based on sectors and/or industries.

Client accounts are not managed by an Investment Committee. Each portfolio action decision is made by an individual Portfolio Manager or Analyst. Generally, PRIMECAP's Portfolio Managers and Analysts meet daily and discuss, among other things, market conditions, economic and sector trends, and individual stocks.

Primary Investment Risks:

Investing involves risk of loss that clients should be prepared to bear. The following summarizes the primary risks of a portfolio:

- **Stock Market Risk.** The price of each stock held by a portfolio may decline in response to certain events, including those directly involving the companies issuing the securities owned by the portfolio; conditions affecting the general economy; political, social, or economic instability at the local, regional, or global level; pandemics, epidemics and other similar circumstances in one or more countries or regions; and currency and interest rate fluctuations.
- **Manager Risk.** A portfolio's performance depends on the decisions in making appropriate investments. A portfolio may underperform relative to other portfolios with similar investment objectives as a result of poor security selection. In addition, it is possible that the stock selection could cause the portfolio to underperform relative to the overall stock market.
- **Investment Style Risk.** The risk that returns from the mix of small-, mid-, and large-cap stocks in the portfolios will trail returns from the overall stock market.
- **Sector-Focus Risk.** The risk that investing a significant portion of the portfolio's assets in one sector of the market exposes the portfolio to greater market risk and potential monetary losses than if those assets were spread among various sectors.

- **Foreign Securities Risk.** The risk that the value of foreign securities will be adversely affected by the political and economic environments and other overall economic conditions in the countries where the portfolios are invested. Investing in foreign securities involves: country risk, with the chance that domestic events - such as political upheaval, financial troubles, or natural disasters - will weaken a country's securities market; and currency risk, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Foreign securities risks may also include other government restrictions, including possible prohibition of investing or trading in a security, or the seizure or nationalization of foreign assets.
- **Small- and Mid-Cap Stock Risks.** The risk that small-and mid-cap stocks may trade less frequently or in more limited volume than those of larger, more established companies; may fluctuate in value more; and, as a group, may suffer more severe price declines during periods of generally declining stock prices.
- **Global Pandemic Risks.** Global pandemics may cause volatility in the financial markets, domestic and global economic downturn, severe losses to certain sectors and individual issuers, and reduced liquidity of many investment instruments. A global pandemic may also cause significant disruptions to business operations, including business closures, strained healthcare systems, and disruptions to supply chains and employment availability, and widespread uncertainty regarding the duration and long-term effects. Government and other intervention into the economy and financial markets to address a pandemic may not work as intended and rates of inflation may increase.
- **Cybersecurity risks.** Cybersecurity incidents may allow an unauthorized party to gain access to PRIMECAP and its service providers' systems. Cyber incidents affecting PRIMECAP and its service providers have the ability to cause disruptions and impact operations, potentially resulting in financial losses, impediments to trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Issuers of securities in which PRIMECAP invests, PRIMECAP's service providers, financial markets, and governmental agencies, etc., may also experience similar adverse consequences from cyber incidents. PRIMECAP has established business continuity plans in the event of and risk management systems designed to prevent such cyber incidents, but there are inherent limitations in such plans and systems including the inability to identify all current and future risks.

Item 9: Disciplinary Information

Not applicable. Neither PRIMECAP, nor its management personnel have been involved in any material legal or disciplinary events.

Item 10: Other Financial Industry Activities and Affiliations

Certain individuals of PRIMECAP are registered representatives of the PRIMECAP Odyssey Funds' principal underwriter/distributor. These employees are involved in marketing and sales activities relating to the Funds.

As discussed elsewhere in this Brochure, PRIMECAP is the investment adviser to the PRIMECAP Odyssey Funds, which are investment companies registered under the Investment Company Act of 1940. Please refer to these Items for a detailed explanation of this relationship and other important disclosures.

For additional information, each Fund's Prospectus and Statement of Additional Information are available on-line at www.primecap.com. Investors and prospective investors should review these documents carefully before making any investment in the Funds.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

PRIMECAP employees are permitted to purchase and sell, for their own accounts, the same securities PRIMECAP recommends to its clients, subject to PRIMECAP's Code of Ethics (the "Code"). Because employee personal trading creates conflicts of interest, PRIMECAP's Code of Ethics is designed to mitigate and/or eliminate those conflicts where possible.

The Code (i) requires all employees to avoid serving their own personal interests (or PRIMECAP's) ahead of the interests of PRIMECAP's clients; (ii) prohibits them from taking inappropriate advantage of their position with PRIMECAP; and (iii) requires that

they conduct their personal securities transactions in a manner that does not operate adversely to the interests of PRIMECAP's clients. The Code sets forth procedures, limitations, and prohibitions that govern employees' personal securities transactions in accounts held in their own name as well as accounts in which they have indirect ownership.

Employees are required to pre-clear all personal transactions in securities not otherwise exempt under the Code. Requests for authority to trade will be reviewed and will be denied when the proposed personal transaction would be contrary to the provisions of the Code. This includes instances where PRIMECAP has purchased or sold the security (or has a pending trade order working for the security) for a client account that day, or the security has been purchased or sold in a client account within the Blackout Period, or the security is being considered for the purchase or sale by any client's account within the Blackout Period. The Blackout Period does not apply to de minimis personal securities transactions in securities of large market capitalization companies, as defined in the Code.

The Code includes other restrictions and prohibitions on personal trading, such as limitations on short-term trading and a ban on short sales of any security held in a client account, as well as prohibiting employees from acquiring securities in an IPO and limitations on the purchase of private placement. Certain prohibitions of the Code do not apply to exempt securities, such as mutual funds (excluding shares in the PRIMECAP Odyssey Funds and the Vanguard mutual funds where PRIMECAP is the adviser, which are not exempt securities) and certain short-term debt securities.

In addition to the limitations and prohibitions described above, the Code subjects employees to various reporting obligations regarding their personal securities transactions and holdings. The Code is administered and enforced by PRIMECAP.

Reportable transactions are reviewed for compliance with the Code. Violations of the Code are reviewed by PRIMECAP's Chief Compliance Officer, or designate, and to the extent necessary, PRIMECAP's Senior Management Team. Sanctions can be imposed based on the particular circumstances or the nature of the violation.

In addition to separate policies and procedures maintained by PRIMECAP regarding the prohibition of use of material non-public information and insider trading, PRIMECAP's Code also discusses the importance of the prevention of trading or communications by employees that might constitute the misuse of material, non-public information.

PRIMECAP believes that its Code is reasonably designed to prevent certain personal securities trading-related and other potential conflicts of interest between PRIMECAP, its employees, and PRIMECAP's clients. However, clients should be aware that no set of rules can possibly eliminate all actual or potential conflicts of interests.

The Code also contains provisions that govern gifts and entertainment given and received. As corporate board membership, directorships, and other business activities could create conflicts of interest, the Code provides controls and requirements governing employee participation in other business activities such as involvement in non-profit entities, directorships, participation on boards, etc. All such activities must be pre-cleared through the Chief Compliance Officer to ascertain if such commitment is a conflict to PRIMECAP or our clients.

Although not part of the Code of Ethics, PRIMECAP maintains policies and procedures that govern political contributions made to candidates for public office or incumbents in public office.

A copy of the Code is available to advisory clients and prospective clients. You can request a copy by contacting PRIMECAP's Chief Compliance Officer at (626) 304-9222 or by email to cco@primecap.com.

Item 12: Brokerage Practices

Broker Selection:

PRIMECAP seeks to execute trades with brokers who it believes can provide the best qualitative execution. When determining which brokerage firms have demonstrated the ability to provide the best qualitative execution, PRIMECAP will consider a variety of factors, including but not limited to: the broker's ability to execute trades promptly and reliably at favorable prices (including the applicable dealer spread or brokerage commission, if any); the operational efficiency with which transactions are executed (taking into account the size of the order and difficulty of execution); the financial strength, integrity, and stability of the broker; the quality, comprehensiveness, and frequency of available brokerage and research products and services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the selection criteria.

PRIMECAP utilizes brokerage commissions or “soft dollars” to pay for external research and services in a manner consistent with Section 28(e) under the Securities and Exchange Act of 1934 (“Section 28(e)”) and other relevant regulatory guidance. Under Section 28(e), PRIMECAP is permitted to cause a client account to pay a higher commission to a broker-dealer that provides research services to PRIMECAP than the commission another broker might charge, provided that PRIMECAP seeks best execution at all times and determines in good faith that the commission paid is reasonable in relation to the value of the trade execution and research services provided. PRIMECAP’s good faith determination is based upon either the particular transaction involved or the overall responsibilities PRIMECAP has with respect to all the client accounts over which it exercises investment discretion.

PRIMECAP uses brokerage commissions to acquire external research through client commission agreements (“CCA”) established with various broker-dealers (“CCA Brokers”). Under these arrangements, when PRIMECAP executes a trade through a CCA Broker, the CCA Broker retains a portion of the brokerage commission as compensation for trade execution services and forwards the remaining portion of the commission to a third-party aggregator utilized by PRIMECAP. On a periodic basis, PRIMECAP will then instruct the aggregator to pay for research provided by a CCA Broker or other independent research providers using the segregated CCA assets. The types of research services that PRIMECAP obtains through these arrangements include: (i) research reports providing fundamental, quantitative and technical issuer, industry, sector, market, economic and policy research and analysis; (ii) portfolio strategy research; and (iii) meetings and calls with company management.

By allocating brokerage business to the CCA Brokers who provide such research services, PRIMECAP believes that it is able to supplement its research and analysis and to use the views and information of other research organizations to make better investment decisions. PRIMECAP believes that the research received through the CCA program is consistent with Section 28(e) and assists the investment decision-making process for all clients. Nevertheless, the use of soft dollars to pay for research services also benefits PRIMECAP to the extent that it allows PRIMECAP to obtain research services through the CCA Brokers that it might otherwise have to pay for itself. This creates a conflict of interest to the extent that it might create an incentive for PRIMECAP to execute trades through a CCA Broker in circumstances where another non-CCA Broker is better positioned to deliver best execution. PRIMECAP believes it has created appropriate segregation between the oversight of the firm’s soft dollar policies and trading by having the Director of Research determine CCA payments and the trader execute trades on a “best execution” basis without consideration of CCA relationships.

Another conflict may arise when commissions are pooled and used to pay for research due to the potential that one client's commissions could be subsidizing research that benefits another client. However, because research services often benefit several clients simultaneously or to differing degrees, it is nearly impossible to directly quantify the benefit of research on a client-by-client basis.

PRIMECAP has established a Committee that is responsible for overseeing PRIMECAP's relationships with brokers with whom the firm executes trades. Among other things, the Committee maintains an approved broker/dealer list and administers the process for approving brokers to be added or removed from the approved list based on the criteria set forth above. In addition, the Committee monitors PRIMECAP's trading activities with its brokers on both an overall and portfolio-by-portfolio basis with a view to ensuring that such trading activity is consistent with PRIMECAP's obligations to seek to obtain best qualitative execution on behalf of its clients.

Trade Aggregation:

The aggregation or blocking of client transactions frequently allows an adviser to execute transactions in a more timely, equitable, and efficient manner. PRIMECAP's policy is to aggregate client transactions whenever possible if such aggregation would be advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price, and transaction costs will be shared on a pro rata basis (rounded to a reasonable lot size) based on number of shares purchased on behalf of each participating account.

Trade Execution and Allocation:

The purchases and sales of equities are generally done at the same time for accounts with similar investment objectives. Partial or complete fills of orders are allocated on a pro rata basis (rounded to a reasonable lot size) based on the number of shares initially ordered by the Portfolio Manager of each participating account.

Directed Brokerage:

Clients may limit PRIMECAP's discretionary authority when they request PRIMECAP to execute trades with a specific broker-dealer for its account or prohibits PRIMECAP from the use of a particular broker-dealer. To the extent a client directs the use of a particular broker-dealer, PRIMECAP is not in a position to negotiate commission rates or select broker-dealers on the basis of best execution. In addition, trades for a client that directs

brokerage generally will not be aggregated for execution purposes with orders for the same securities of other accounts managed by PRIMECAP. As a result, directed brokerage transactions may result in higher commissions, less favorable net prices, and/or less favorable execution than would be the case if PRIMECAP had the authority to select the broker-dealers to execute trades in the client's account.

Cross Trades, Agency Cross Transactions, and Principal Transactions:

PRIMECAP's policy is to not engage in any principal or agency cross transactions in client accounts. Principal transactions are generally defined as transactions when an adviser, acting as principal for its own account, buys from or sells any security to a client. An agency cross transaction occurs when an investment adviser acts as a broker for more than one client in the same transaction where one client is buying securities and the other is selling. However, from time to time and when it is beneficial to both clients, PRIMECAP may engage in cross transactions between client accounts, where PRIMECAP does not receive direct or indirect compensation for effecting the cross trade, other than the advisory fee. Due to ERISA restrictions, PRIMECAP does not effect cross trades involving client accounts that fall under ERISA.

Error Policies:

Examples of trade errors include: (a) purchasing securities not legally permitted for an account (which includes separately managed accounts and mutual funds where PRIMECAP is the adviser) or not permitted by an account's investment guidelines or client restrictions; (b) purchasing or selling the wrong securities for an account; (c) incorrect size or number of shares; (d) purchasing or selling securities for the wrong account; or (e) failure to purchase or sell securities as intended for a particular account, including trading in the wrong direction (purchase instead of sale), etc.

In the event that an error occurs, PRIMECAP's policy is to identify and correct such error as promptly as possible without disadvantaging the client or benefiting PRIMECAP in any way.

Item 13: Review of Accounts

Each of the five principal Portfolio Managers manages a sleeve of the portfolio in all the products offered by PRIMECAP. Each Portfolio Manager is a generalist and the individual sleeve may include securities across all sectors of the market. Each account,

including mutual funds, is reviewed on a periodic basis by the Portfolio Managers. In addition, a client service professional is assigned to each account and is available to meet or speak with each client as often as needed. Separately managed accounts are generally reviewed with specific clients on at least an annual basis. Reviews may occur more frequently if requested by a specific client. Typically, these reviews include an update of current positioning and a discussion of any changes to the client's needs or objectives. PRIMECAP Management Company's intent is to treat all accounts equally.

Item 14: Client Referrals and Other Compensation

Not applicable. PRIMECAP does not directly or indirectly compensate anyone for referrals.

Item 15: Custody

PRIMECAP does not have custody of any of its clients' assets.

Item 16: Investment Discretion

Through the Investment Advisory Agreement, PRIMECAP receives discretionary authority from each client to determine the securities purchased and sold, the amount of the securities to be purchased or sold, the broker or dealer to be used, and the commission rates paid. PRIMECAP will accept reasonable limitations or restrictions to such authority on the account from the client. All limitations and restrictions must be provided to PRIMECAP in writing.

Item 17: Voting Client Securities

PRIMECAP acts as discretionary investment adviser for various clients, including investment companies registered under the Investment Company Act of 1940 and clients governed by the Employee Retirement Income Security Act of 1974 ("ERISA"). PRIMECAP's authority to vote proxies or act with respect to other shareholder actions is

established through the delegation of discretionary authority under our investment advisory contracts. Therefore, unless a client (including a “named fiduciary” under ERISA) specifically reserves the right, in writing, to vote its own proxies or to take shareholder action with respect to other corporate actions requiring shareholder actions, PRIMECAP will vote all proxies and act on all other actions in a timely manner as part of its full discretionary authority over client assets in accordance with these guidelines.

PRIMECAP maintains a policy of voting proxies in a way which, in PRIMECAP’s opinion, best serves the interest of its clients in their capacity as shareholders of a company. PRIMECAP believes that this is consistent with SEC and U.S. Department of Labor guidelines, which state that an investment manager’s primary responsibility as a fiduciary is to vote in the best interest of its clients. As an investment manager, PRIMECAP is primarily concerned with maximizing the value of its clients’ investment portfolios.

PRIMECAP believes the best interests of clients are served by voting proxies in a way that maximizes long-term shareholder value. Therefore, the investment professionals responsible for voting proxies have the discretion to make the best decision given the individual facts and circumstances of each issue. Proxy issues are evaluated on their merits and considered in the context of the analyst’s knowledge of a company, its current management, management’s past record, and PRIMECAP’s general position on each issue.

PRIMECAP believes that management, subject to the oversight of the relevant Board of Directors, is often in the best position to make decisions that serve the interests of shareholders. However, PRIMECAP votes against management on proposals where it perceives a conflict may exist between management and client interests or where the facts and circumstances indicate the proposal is not in its clients’ best interests.

Conflicts of Interest

From time-to-time conflicts of interest may exist in the proxy voting decision process where (a) portfolio companies are also clients of, or vendors to, PRIMECAP, (b) shareholder proposals are submitted by clients, or (c) proxies for which clients have publicly supported or actively solicited PRIMECAP to support a particular position. When a proxy proposal raises a potential material conflict of interest, possible conflict resolutions may include, but are not limited to: (a) vote in accordance with the guidelines

to the extent that PRIMECAP has little or no discretion to deviate from the guidelines; (b) vote according to the recommendations of an independent proxy service firm retained by PRIMECAP; (c) vote in proportion to other shareholders; (d) disclose the conflict of interest to the client and obtain the client's consent before voting; or (e) vote in other ways that are consistent with PRIMECAP's obligation to vote in the clients' best interest. Conflict resolution is determined based on the facts and circumstances of the potential or actual conflict of interest.

Proxy Review Process

PRIMECAP's Director of Research is responsible for coordinating the voting of proxies in a timely manner, consistent with PRIMECAP's determination of the client's best interests. PRIMECAP utilizes the services of a third-party proxy voting firm to act as agent for the proxy process, to maintain records on proxy votes for its clients, and to provide independent research on corporate governance, proxy, and corporate responsibility issues.

The Director of Research reviews each proxy ballot for routine and non-routine items. Routine proxy items are typically voted with management unless the Director of Research or Research Analyst who follows the company determines additional review is necessary. Routine items currently include the uncontested election of directors, ratifying auditors, adopting reports and accounts, setting and payment of dividends, approval of financial statements, and certain other administrative items. All other items are voted in accordance with the decision of the Director of Research, Research Analysts, or Portfolio Managers, depending on the merits of each proposal, taking into account its effects on the specific company in question and on the company within its industry.

Limitations

PRIMECAP seeks to vote all of its clients' proxies. In certain circumstances, in accordance with a client's investment advisory contract (or other written directive) or where PRIMECAP has determined that it is in the client's best interest, PRIMECAP will not vote proxies received. These circumstances may include, but are not limited to: when client's maintain proxy voting authority, when an account has been terminated, when a client has a securities lending arrangement with its custodian and the securities are out on loan, or when a proxy vote results in an extended share lockup period precluding PRIMECAP from selling the shares.

Proxy Voting Guidelines

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

- **Corporate Governance:** PRIMECAP supports strong corporate governance practices and generally votes against proposals that serve as anti-takeover devices or diminish shareholder rights, and generally supports proposals that encourage responsiveness to shareholders. PRIMECAP evaluates board size, structure, and compensation on a case-by-case basis though generally believes the Directors and management of companies are in the best position to determine an efficient, functional structure for the Board of Directors. Mergers and acquisitions, reincorporations and other corporate restructurings are considered on a case-by-case basis, based on the investment merits of each proposal.
- **Compensation:** PRIMECAP generally supports the concept of stock-related compensation plans as a way to align employee and shareholder interests. However, plans that include features which undermine the connection between employee and shareholder interests generally are not supported. When voting on proposals related to new plans or changes to existing plans, PRIMECAP considers, among other things: the size of the overall plan and/or the size of the increase, the historical dilution rate, whether the plan permits option repricing, the duration of the plan, and the needs of the company. PRIMECAP generally supports employee stock purchase plans and the establishment of 401(k) plans.
- **Capital Structure:** PRIMECAP generally supports increases to capital stock for legitimate financing needs but generally does not support changes in capital stock that can be used as an anti-takeover device, such as the creation of or increase in blank-check preferred stock or of a dual-class capital structure with different voting rights. PRIMECAP generally supports share repurchases.
- **Environmental and Social Issues:** PRIMECAP votes on these issues based on their potential to improve the prospects for long-term success of a company and investment returns. PRIMECAP expects companies to comply with applicable laws and regulations with regards to environment and social standards.

Proxy Voting Records

Clients can obtain a copy of PRIMECAP's complete proxy voting policies and procedures. In addition, upon the client's written request, PRIMECAP will provide reports of its proxy voting record as it relates to the securities held in the client's account(s) for which PRIMECAP has proxy voting authority. PRIMECAP utilizes the services of a third-party proxy voting firm to maintain records on proxy votes for its clients. For copies of PRIMECAP's Proxy Voting Policies and Procedures, please make all requests to PRIMECAP's Chief Compliance Officer at (626) 304-9222 or by email to cco@primecap.com

Item 18: Financial Information

Not applicable. PRIMECAP has no financial commitments or knows of no financial condition that is reasonably likely to impair the ability to meet contractual commitments to clients, and PRIMECAP has not been subject of a bankruptcy petition. In addition, PRIMECAP does not solicit fees in advance from its clients.

PRIMECAP's Policies for Class Action Lawsuit Participation:

Unless PRIMECAP otherwise agrees in writing, PRIMECAP will not have any duty or obligation to advise or take any action on behalf of the client in any legal proceedings including bankruptcies or class actions, involving securities held in or formerly held in the client's account or the issuers of such securities. At the client's request, PRIMECAP will endeavor to assist with administrative matters with respect to any settlement or judgment.