

ADV: Part 2A
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C A P I T A L
R E S E A R C H A D V I S O R S

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

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

Additional information about Capital Research Advisors also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Capital Research Advisors, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

Item 2 Material Changes

Since Capital Research Advisors, LLC's (CRA's) most recent amendment filing dated July 8, 2019, this Brochure has been amended to reflect CRA's status as a state-registered adviser and to disclose our solicitor arrangements.

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

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Item 4 Advisory Business

A. Capital Research Advisors, LLC (CRA) is a registered investment advisor registered in the States of Georgia and Texas. CRA is principally owned by Kenneth Graves. CRA was founded eighteen years ago in 2003. The two managing partners at that time were James Metzloff and Kenneth Graves were also founders. At the time of formation of CRA, Mr. Metzloff was a twenty plus year veteran of the investment industry and Mr. Graves was a sixteen year veteran of the investment industry.

B. Investment Management

When CRA manages assets, we largely use mathematically designed and defined investment models. We divide these asset management models into different types/styles. These models are mathematically rules-based models which means that there is little subjective nature to the decision-making process in the models. The rules are quantitative in their nature and they are designed so those rules drive the decisions made.

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

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

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

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

Currently, in addition to our above stated two fixed income models and our four equity index models, our seventh model does not base itself off of U.S. stock indexes or equity sectors nor does it focus on fixed income assets correlated to the U.S. centric bond markets. It makes use of different asset classes. They can be commodity-based positions – i.e., oil/gas, precious metals and basic materials, or

currencies, foreign markets, real estate, etc. This model may use the U.S. Dollar, in either a "long" or a "short" portfolio, as well as other major world currencies. This model may also invest in "country" portfolios for countries that are currently deemed by management to not be highly correlated to the U.S. equity broad markets though management may make determinations which allow correlations to increase beyond our normal tolerances.

Financial Game Plan

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

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

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

Unified Managed Account ("UMA") Programs

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

factors, including the number of model portfolios that the sponsor is purchasing and the total assets under management.

Financial Planning and Non-Investment Consulting/Implementation Services.

As discussed below, to the extent requested by a client, CRA may provide financial planning and consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. for a separate fee and per the terms and conditions of a separate Financial Planning and Consulting Agreement. CRA does not serve as an attorney or accountant, and no portion of CRA's services should be construed as such. To the extent requested by a client, CRA may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of CRA in their separate individual capacities as representatives of Ceros Financial ("Ceros"), an SEC registered and FINRA member broker-dealer, and as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CRA and/or its representatives.

Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the separately engaged professional and indemnifies CRA.

Please Also Note-Conflict of Interest: The recommendation by CRA representatives that a client purchase a securities on commission or insurance commission product from firm representatives in their individual capacities as representatives of Ceros and/or as insurance agents, presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from CRA representatives. Clients are reminded that they may purchase securities and insurance products recommended by CRA through other, non-affiliated broker-dealers and/or insurance agencies. **CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

MISCELLANEOUS

Retirement Plan Rollovers - No Obligation/Conflict of Interest: A client leaving an employer typically has four options (and may engage in a combination of these options):

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

CRA may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) managed by CRA. As a result, CRA and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to CRA (unless you engage CRA to monitor and/or manage the account while maintained at your employer). CRA has an economic incentive to encourage an investor to roll plan assets into an IRA that CRA will manage or to engage CRA to monitor and/or manage the account while maintained

at your employer There are various factors that CRA may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus CRA's, iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by CRA or to engage CRA to monitor and/or manage the account while maintained at your employer. If CRA's engagement will include the management of the client's retirement account for the same fee, regardless of custodian or the client's decision to process a rollover, the above economic incentive to recommend a rollover is moot. **CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement**

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

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

- C. CRA shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, CRA shall allocate client's investment assets consistent with the designated investment objective(s). The client can impose reasonable restrictions, in writing, on CRA's discretionary investment management services.
- D. CRA does not participate in any wrap fee program(s).
- E. As of January 30, 2021, CRA had approximately \$48,992,580.00 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

- A. The annual fees for Investment Management (inclusive of Financial Game Plan) will be charged as a percentage of assets under advisement, according to the schedule of our maximum fees below, but are always negotiable:

<u>Assets under advisement</u>	<u>Annual Fee</u>
\$0 - \$500,000	Not Greater than 1.50%
\$500,000 - \$1,000,000	Not Greater than 1.25%
\$1,000,001 - \$2,500,000	Not Greater than 1.10%
\$2,500,001 - \$5,000,000	Not Greater than 1.00%

Over \$5,000,000

Negotiable

Hourly Rates by Partners at \$325/hour

Please Note: Fee Differentials-Conflict of Interest. Each of CRA's representatives separately determine the amount of advisory fee to be paid by the client within the parameters of the fee schedule shown above, which could present a ***conflict of interest***. In addition, the CRA representative, in his/her sole discretion, may charge a fee less than the maximum percentage advisory fee or may enter into alternative fee arrangements, such as hourly engagements, based upon various criteria (i.e. anticipated future earning capacity, anticipated time needed to serve client, anticipated future additional assets, related accounts, account composition, negotiations with client, etc.). No client will be charged more than the reflected maximum annual percentage fee shown in the table above excluding the retention of any passed through internal service fees provided to the custodian and passed on to the broker dealer and a portion of this fee passed on to CRA.

The fees for CRA's UMA Program are also asset-based, ranging from 0.35% to 0.575%. CRA and the UMA Program sponsor usually negotiate the fee amount. The fee may vary depending on a number of factors, including the number of model portfolios that the sponsor is purchasing and the total assets under management.

As a result of the above, similarly situated clients could pay diverse advisory fees. CRA's advisory services could also be available from other advisers at a lesser annual percentage advisory fee. Each client should take this potential fee differential into consideration when determining whether or not to engage CRA's services.

CRA currently has agreement(s) with "solicitor(s)" to refer clients to CRA. The agreements provide that a percentage of the investment fee charged to the client will be paid to the solicitor, as disclosed in the Client Advisory Agreement. The compensated person(s) are properly registered as solicitor(s) as appropriate.

Compensated solicitors do not give investment advice and only solicit clients for CRA within the State of Georgia.

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

CRA may provide financial planning and consulting services for a separate fee and per the terms and conditions of a Financial Planning and Consulting Agreement. CRA generally charges a negotiable hourly fee rate for such financial planning and consulting engagements.

- B. CRA clients can choose to have their fees deducted from their account or billed to them directly. This choice is listed distinctly and separately in our advisory agreement. If direct fee deduction is elected, CRA will direct the custodian to have fees, disclosed in the management agreement, deducted from the account of the client and sent to CRA. These fees are also shown as a line item entry on the statement(s) the client receives for the month the fee was deducted from the account. Statements are sent monthly to the client(s).

- C. All fees paid to CRA for investment advisory services are separate and distinct from the fees and expenses charged by the custodian for its services, IRA fees, exchange fees or SEC mailing fees. They are also fully separate and distinct from the fees and expenses charged by mutual funds, ETFs, closed-end funds, collective trusts, unit investment trusts as well as variable annuities and the fees they charge to their shareholders or unitholders and are in addition to CRA fees. Those fees will generally include separate fees and expenses and they are described in each of those products prospectuses. Those fees will include a management fee, other fund expenses and a possible distribution fee or service fee. If the fund also imposes sales charges, a CRA client will obtain the fund at Net Asset Value (NAV) meaning without the client paying that stated sales charge.
- D. We most typically assess fees on a quarterly basis based on the market value of assets in an account as of the last day of each calendar quarter, but we do have a limited number of clients that we assess fees on a monthly basis instead. All client fees are earned on a pro rata basis, meaning CRA is able to keep fees for the days money is in the account and we have written instructions to manage the agreed upon assets. Either party may terminate the advisory service agreement at any time for any reason with 30 days' written notice. Upon termination, CRA shall refund the pro-rated portion of the advanced advisory fee (if any), based upon the number of days remaining the billing period. Client's refund of the remainder of the fee will be done within 14 days of the termination of CRA's Services.
- E. If CRA uses mutual funds, and it often does, CRA will use "no load funds", investor share class, institutional share class if the client can meet the requirements given by that fund or as stated elsewhere in this brochure. CRA can use "loaded funds" on a load waived basis meaning no sales load is paid by the client and there is no benefit to CRA. When selecting mutual fund share classes, CRA may use funds that have an internal service fee (i.e., Rule 12b-1 fees). Service fees are typically between .10% and .25%. Because certain of CRA's investment adviser representatives are licensed as registered representatives of a broker-dealer (Ceros), its representatives will receive a portion of these internal service fees. These representatives are typically eligible to receive 95% of the overall service fees generated.

Neither CRA nor its representatives provide any direct reimbursement or credit against a client's investment advisory fees based on its receipt of service fees. However, when a client is invested in a model portfolio that invests in mutual fund share classes which may pay service fees, CRA reduces its investment advisory fee by an amount that is equal to or exceeds the highest level of service fees shown in "Item 5 Fees and Compensation A" that can be generated in the client's account. The reduction in the client's advisory fee is made at the time the client invests in a model portfolio that may invest in mutual fund share classes that pay service fees and is not a dollar for dollar credit or offset.

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

The receipt of service fees presents a **conflict of interest**. In order to mitigate this **conflict of interest**, CRA discloses it to clients and does not permit any client to pay total advisory fees, when accounting for the receipt of servicing fees, in excess of the maximum advisory fee stated in Item 5.A above. In addition, CRA selects investments without consideration of the receipt of service fees. **CRA's Chief Compliance Officer, Kenneth D. Graves, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

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

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

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

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

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

Item 7 Types of Clients

We serve clients of differing descriptions. We do serve individuals, families as well as high net worth individuals. We also serve small and medium size businesses as well as some non-profit businesses.

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

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

- A. CRA may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

CRA may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss. An investment made through a custodian for CRA to manage is not a deposit into or of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

- B. CRA's methods of analysis and investment strategies do not present significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis CRA must have access to current/new market information. CRA has no control over the dissemination rate of market information; therefore, unbeknownst to CRA, certain analyses may be compiled with outdated market information, severely limiting the value of CRA's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

CRA's primary investment strategies-Long Term Purchases, Short Term Purchases, and Trading-are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may, but not necessarily incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but may, but not necessarily incur higher transaction costs when compared to a short term investment strategy and might possibly

substantially higher transaction costs than a longer term investment strategy if there are indeed trading costs involved.

- C. The value of an investment made through CRA will fluctuate and is subject to investment risks, which means investors could lose money. Some of those risks are shown here.

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

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

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

Please Note: Inverse/Enhanced Market Strategies.

CRA may utilize long and short (inverse) mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. Most leveraged funds seek to provide a multiple of the investment returns of a given index or benchmark on a time designated basis, daily or monthly most often. Due to the effects of compounding and possible correlation errors, leveraged funds may experience greater losses than one would ordinarily expect. In light of these enhanced risks/rewards, a client may direct CRA, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Compounding can also cause a widening differential between the performances of a fund and its underlying index or benchmark, so that returns over periods longer than one day can differ in amount and direction from the target return of the same period. Consequently, these funds may experience losses even in situations where the underlying index or benchmark has performed as hoped. Some

specialized funds can be subject to additional market risks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Item 9 Disciplinary Information

CRA does not have any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

- A. As disclosed above, certain of CRA's representatives are also registered representatives of Ceros, an SEC registered and FINRA member broker-dealer
- B. Neither CRA, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of the foregoing entities.
- C. **Broker-Dealer.** As disclosed above, certain of CRA's representatives are also representatives of Ceros, an SEC registered and FINRA member broker-dealer.

Licensed Insurance Agent. Certain of CRA's associated persons, in their separate individual capacities, are also licensed insurance agents, and in such capacity may offer insurance products on a commission basis.

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

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

- D. CRA does not receive, directly or indirectly, compensation from investment advisers that it recommends or selects for clients.

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

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

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

- B. Neither CRA nor any related person of CRA, recommends, buys, or sells for client accounts, securities in which CRA or any related person of CRA has a material financial interest.
- C. CRA and/or representatives of CRA may buy or sell securities that are also recommended to clients. This practice may create a situation where CRA and/or representatives of CRA are in a position to materially benefit from the sale or purchase of those securities. This situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if CRA did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of CRA's clients) and other potentially abusive practices.

CRA has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of CRA's "Access Persons". CRA's securities transaction policy requires that Access Person of CRA must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date CRA selects; provided, however that at any time that CRA has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. CRA and/or representatives of CRA *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where CRA and/or representatives of CRA are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, CRA has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of CRA's Access Persons.

Item 12 Brokerage Practices

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

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

1. Non-Soft Dollar Research and Additional Benefits. Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, CRA can receive from NFS (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist CRA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by CRA may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by CRA in furtherance of its investment advisory business operations.

There is no corresponding commitment made by CRA to NFS or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

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

2. Referrals from Broker-Dealers. In the event that transactions for client accounts are effected through a broker-dealer that refers investment management clients to CRA, the potential for a conflict of interest may arise and corresponding disclosure of such relationship must be made to the client prior to effecting transactions for the client account through the referring broker-dealer, including disclosure thereof in CRA's advisory agreement(s) and/or written disclosure statement. CRA does not currently maintain such arrangements.
 3. Directed Brokerage. CRA **does not** generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker- dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and CRA will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by CRA. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.
- B. CRA may (but is not obligated to) combine or "batch" client orders to obtain "best execution," to negotiate more favorable commission rates or to allocate equitably among CRA's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among CRA's clients in proportion to the purchase and sale orders placed for each client account on any given day. CRA shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom CRA provides investment supervisory services, account reviews are conducted on an ongoing basis by CRA's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise CRA of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with CRA on an annual basis.
- B. CRA may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. CRA may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12 above, CRA can receive an economic benefit from NFS (and/or others). CRA, without cost (and/or at a discount), receives support services and/or products from NFS. There is no corresponding commitment made by CRA to NFS or any other entity to invest any specific

amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.

- B. CRA may compensate a contracted solicitor for client introductions. In such event, the client shall not pay more for CRA's services had the client engaged CRA independent of the solicitor. Both CRA and the solicitor will follow applicable regulatory requirements, including disclosure of the financial arrangement between CRA and the solicitor to the client at or before the client commits to a relationship with CRA.

Item 15 Custody

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

Item 16 Investment Discretion

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

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

Item 17 Voting Client Securities

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

Item 18 Financial Information

- A. CRA does not solicit fees of more than \$500.00, per client, six months or more in advance.
- B. CRA is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

- C. CRA has not been the subject of a bankruptcy petition

Item 19 Requirements for State-Registered Advisers

- A. CRA's Managing Member and Chief Compliance Officer is Kenneth D. Graves. More information about this individual can be found in his entry in CRA's Form ADV Part 2B Brochure Supplement.
- B. Neither CRA, nor its related persons, have any outside relationship or arrangement that is material to CRA's advisory business, except as otherwise discussed herein or in Mr. Graves' Form ADV Part 2B Brochure Supplement.
- C. As discussed above in Item 6, CRA is not compensated on a performance fee basis.
- D. Neither CRA, nor any management person, has any reportable disciplinary information.
- E. Neither CRA, nor any management person, has any relationship or arrangement with any issuer of securities.

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

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

Sincerely,



Ken Graves
Chief Compliance Officer

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