# American Funds Insurance Series®

Part B
Statement of Additional Information

May 1, 2026

This document is not a prospectus but should be read in conjunction with the current prospectus of American Funds Insurance Series (the "Series"), dated May 1, 2026, for the funds listed below. Except where the context indicates otherwise, all references herein to the "fund" apply to each of the funds listed below. You may obtain a prospectus from your financial professional, by calling American Funds Service Company® at (800) 421-4225 or by writing to the Series at the following address:

American Funds Insurance Series
Attention: Secretary

333 South Hope Street
Los Angeles, California 90071

| Class 1, Class 1A, Class 2 and Class 4 shares of: | | Class 3 shares of: |
|---|---|---|
| Global Growth Fund | Capital Income Builder® | Growth Fund |
| SMALLCAP World Fund® | Asset Allocation Fund | EUPAC Fund™ |
| U.S. Small and Mid Cap Equity Fund | American Funds® Global Balanced Fund | Growth-Income Fund |
| Growth Fund | American Funds Mortgage Fund® | Asset Allocation Fund |
| EUPAC Fund™ | American High-Income Trust® | American High-Income Trust® |
| New World Fund® | Corporate Bond Fund | U.S. Government Securities Fund® |
| Capital World Growth and Income Fund® | Capital World Bond Fund® | Ultra-Short Bond Fund |
| Growth-Income Fund | The Bond Fund of America® | |
| International Growth and Income Fund | U.S. Government Securities Fund® | |
| Washington Mutual Investors Fund | Ultra-Short Bond Fund | |

**Table of Contents**


| Item | Page no. |
|---|---|
| Certain investment limitations and guidelines | 2 |
| Description of certain securities, investment techniques and risks | 17 |
| Fund policies | 59 |
| Management of the Series | 61 |
| Execution of portfolio transactions | 116 |
| Disclosure of portfolio holdings | 124 |
| Price of shares | 126 |
| Taxes and distributions | 129 |
| General information | 131 |
| Appendix | 134 |




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**American Funds Insurance Series®**

**Statement of Additional Information Supplement**

September 1, 2026

(for the most recent Class 1, Class 1A, Class 2, Class 3 and Class 4 shares statement of additional information, as supplemented to date)

**The information under the "Disclosure of portfolio holdings" section is amended in its entirety to read as follows:**

The Series' investment adviser has adopted policies and procedures with respect to the disclosure of the funds' portfolio holdings information. The Series' board of trustees reviews these policies and procedures and receives reports from the Series' Chief Compliance Officer periodically.

Except for American High-Income Trust, each fund is permitted to provide a full list of holdings monthly on the Capital Group website no earlier than 30 days after month-end; however, if a month-end coincides with a quarter-end, the fund is permitted to provide a full list of holdings no earlier than 10 days after quarter-end. For American High-Income Trust, the fund is permitted to provide a full list of holdings quarterly on the Capital Group website no earlier than 10 days after-quarter end. The publicly disclosed holdings information may exclude certain securities when deemed to be in the best interest of the fund as permitted by applicable regulations. In addition, each fund is permitted to provide its top 10 holdings monthly on the Capital Group website no earlier than 10 days after month-end for equity securities, and no earlier than 30 days after month-end for fixed income securities. If a month-end coincides with a quarter-end, the fund is permitted to provide its top 10 holdings for equity and fixed income securities no earlier than 10 days after quarter-end. For multi-asset funds, the fund is permitted to provide its top 10 holdings for equity and fixed income securities monthly on the Capital Group website no earlier than 10 days after month-end. The investment adviser may disclose holdings more frequently on the Capital Group website if it determines it is in the best interest of the fund.

Certain intermediaries are provided additional information about the fund's management team, including information on the fund's holdings. This information is provided to larger intermediaries that require the information to make the fund available for investment on the firm's platform. Intermediaries receiving the information are required to keep it confidential and use it only to analyze the fund.

The Series' custodian, outside counsel, auditor, financial printers, proxy voting and class action claims processing service providers, pricing information vendors, consultants or agents operating under a contract with the investment adviser or its affiliates, co-litigants (such as in connection with a bankruptcy proceeding related to a fund holding) and certain other third parties described below, each of which requires fund holdings information for legitimate business and/or fund oversight purposes, may receive fund portfolio holdings information earlier. See the "General information" section in this statement of additional information for further information about the Series' custodian, outside counsel and auditor.

Each fund may provide a full list of holdings monthly to insurance companies that use the funds as underlying investments in their variable annuity contracts and variable life insurance policies. Monthly holdings are made available to help the insurance companies evaluate the funds for inclusion in the contracts and life insurance policies they offer and to evaluate and manage the insurance guarantees offered under their insurance contracts. Monthly holdings may be provided to insurance companies no earlier than10 days after month-end. Monthly holdings may also be provided to the sub-adviser of the American Funds Insurance Series Managed Risk Funds. Holdings may also be disclosed more frequently to certain statistical and data collection agencies including Morningstar, Lipper, Inc., Value Line, Vickers Stock Research, Bloomberg and Thomson Financial Research. Information on certain portfolio characteristics of the funds are also provided to the insurance companies and the sub-adviser of the American Funds Insurance Series Managed Risk Funds each business day. Intermediaries receiving the information are required to keep it confidential and use it only for the purposes described above.

Affiliated persons of the Series, including officers of the Series and employees of the investment adviser and its affiliates, who receive fund holdings information are subject to restrictions and limitations on the use and handling of such information pursuant to applicable codes of ethics, including requirements not to trade in securities based on confidential and proprietary investment information, to maintain the confidentiality of such information, and to pre-clear securities trades and report securities transactions activity, as applicable. For more information on these restrictions and limitations, please see the "Code of ethics" section in this statement of additional information and the Code of Ethics. Third-party service providers of the Series and other entities, as described in this statement of additional information, receiving such information are subject to confidentiality obligations and obligations that would prohibit them from trading in securities based on such information. When fund holdings information is disclosed other than through the Capital Group website to persons not affiliated with the Series, such persons will be bound by agreements (including confidentiality agreements) or fiduciary or other obligations that restrict and limit their use of the information to legitimate business purposes only. None of the Series, its investment adviser or any of their affiliates receives compensation or other consideration in connection with the disclosure of fund holdings information.

Subject to board policies, the authority to disclose fund holdings information, and to establish policies and procedures with respect to such disclosure, resides with the appropriate investment-related committees of the investment adviser. In exercising their authority, the committees determine whether disclosure of fund holdings information is appropriate and in the best interest of the fund. The investment adviser has implemented policies and procedures to address conflicts of interest that may arise from the disclosure of fund holdings information. For example, the investment adviser's code of ethics specifically requires, among other things, the safeguarding of fund holdings information and contains prohibitions designed to prevent the personal use of confidential, proprietary investment information in a way that would conflict with fund transactions. In addition, the investment adviser believes that its current policy of not selling fund holdings information and not disclosing such information to unaffiliated third parties until such holdings are publicly disclosed on the Capital Group website (other than to certain Series service providers and other third parties for legitimate business and/or fund oversight purposes) helps reduce potential conflicts of interest between fund shareholders and the investment adviser and its affiliates.

The investment adviser and its affiliates provide investment advice to individuals and financial intermediaries that have investment objectives that may be substantially similar to those of the funds. These clients also may have portfolios consisting of holdings substantially similar to those of the funds and generally have access to current portfolio holdings information for their accounts. These clients do not owe the investment adviser or the funds a duty of confidentiality with respect to disclosure of their portfolio holdings information.

Keep this supplement with your statement of additional information.

Lit. No. INA8SU-010-0926O CGD/8024-S115105

**American Funds Insurance Series®**

# Statement of Additional Information Supplement

August 1, 2026

(for the most recent Class 1, Class 1A, Class 2 and Class 4 shares statement of additional information)

**The following is added under the heading "Portfolio manager fund holdings and management of other accounts" in the "Management of the Series" section for U.S. Small and Mid Cap Equity Fund:**

Matt Hochstetler no longer manages money in the fund.

Keep this supplement with your statement of additional information.

Lit. No. INA8SU-012-0826O CGD/8024-S115109

## Certain investment limitations and guidelines

The following limitations and guidelines are considered at the time of purchase, under normal circumstances, and are based on a percentage of each fund's net assets (excluding, for the avoidance of doubt, collateral held in connection with securities lending activities) unless otherwise noted. This summary is not intended to reflect all of the funds' investment limitations.

**Global Growth Fund**

General

· The fund invests at least 65% of its assets in common stocks.

Investing outside the United States

· Under normal market conditions, the fund will invest a percentage of its net assets outside the United States. That percentage will represent at least (a) 40% of the fund's net assets, unless market conditions are not deemed favorable by the fund's investment adviser, in which case 30%, or (b) the percentage of the MSCI All Country World Index represented by companies outside the United States minus 5%, whichever is lower. As a result, the fund's investments outside the United States may represent less than 40% of its net assets (for example, if the percentage of the MSCI All Country World Index represented by companies outside the United States is 40%, the fund would invest at least 35% of its net assets outside the United States under normal market conditions).

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

Debt instruments

· The fund may invest up to 10% of its assets in straight debt securities (i.e., debt securities that do not have equity conversion or purchase rights) rated Baa1 or below and BBB+ or below by NRSROs or in unrated securities that are determined to be of equivalent quality by the fund's investment adviser.

· The fund currently intends to consider the ratings from Moody's Investors Services, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

**SMALLCAP World Fund**

Equity securities – small capitalization issuers

· Normally the fund invests at least 80% of its net assets in common stocks and other equity-type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) of companies with small market capitalizations, including growth-oriented stocks. The investment

adviser currently defines “small market capitalization” companies to be companies with market capitalizations within or below the capitalization range of companies included in the MSCI All Country World Small Cap Index or the Russell 2000 Index, measured based on the maximum market capitalization of companies in either index within the last 12 months. As of August 31, 2025, the largest company in the MSCI All Country World Small Cap Index had a market capitalization of approximately $25.9 billion and the largest company in the Russell 2000 Index had a market capitalization of approximately $20.9 billion. The market capitalization of the companies included in the MSCI All Country World Small Cap Index and the Russell 2000 Index will change with market conditions. The investment adviser has periodically re-evaluated and adjusted this definition and may continue to do so in the future. The fund may continue to hold securities of a portfolio company that subsequently appreciates above the small market capitalization threshold.

Investing outside the United States

· Under normal circumstances, the fund will invest a significant portion of its assets outside the United States, including in emerging markets. (See “Investing outside the U.S.” below for more information.)

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund’s investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund’s investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer’s securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

Debt instruments

· The fund may invest up to 10% of its assets in straight debt securities rated Baa1 or below and BBB+ or below by Nationally Recognized Statistical Rating Organizations designated by the fund’s investment adviser, or unrated but determined to be of equivalent quality.

· The fund currently intends to consider the ratings from Moody’s Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

**U.S. Small and Mid Cap Equity Fund**

Equity securities – small and mid-capitalization issuers in the United States

· Under normal market conditions, the fund invests at least 80% of its net assets in common stocks and other equity-type securities (including preferred stock, convertible securities and hybrid securities) (plus the amount of borrowings for investment purposes, if any) of small and mid-capitalization companies in the United States. The investment adviser currently defines “small and mid-capitalization companies” to be companies whose market capitalizations typically fall within the range of the Russell 2500 Index or the Russell Midcap Index. As of July 1, 2025, the largest company for the Russell 2500 Index had a market capitalization of approximately $24.1 billion and the

largest company for the Russell Midcap Index had a market capitalization of approximately $83.3 billion. The market capitalization of the companies included in the Russell 2500 Index and the Russell Midcap Index will change with market conditions.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

Cash minimization

· The fund will generally hold no more than 5% of its net assets in cash and cash equivalents. However, the fund may temporarily exceed this threshold (for example, to accommodate cash inflows and redemptions).

**Growth Fund**

General

· The fund invests at least 65% of its assets in common stocks.

Investing outside the United States

· The fund may invest up to 25% of its assets outside the United States.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

Debt instruments

· The fund may invest up to 10% of its assets in straight debt securities (i.e., debt securities that do not have equity conversion or purchase rights) rated Ba1 or below and BB+ or below by NRSROs, or unrated but determined to be of equivalent quality by the fund's investment adviser.

· The fund currently intends to consider the ratings from Moody's Investors Services, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

**EUPAC Fund**

Investment strategies

· Normally, the fund will invest at least 80% of its net assets in securities of issuers in Europe and the Pacific Basin. This policy is subject to change only upon 60 days' written notice to shareholders. A country will be considered part of Europe if it is part of the MSCI European indexes and part of the Pacific Basin if any of its borders touches the Pacific Ocean. In determining the domicile of an issuer, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

· Although the United States is considered part of the Pacific Basin, the fund will not generally purchase equity securities of issuers domiciled in the United States. However, the fund may invest up to 10% of its assets in securities of issuers domiciled in the United States (excluding cash, cash equivalents and securities held as collateral issued by U.S. issuers, which will be treated as Pacific Basin assets).

· The fund invests primarily in the common stocks located outside the United States. The fund may invest a portion of its assets in companies located in emerging markets.

Debt instruments

· The fund may invest up to 5% of its assets in straight debt securities (i.e., not convertible into equity) rated Baa1 or below and BBB+ or below by Nationally Recognized Statistical Rating Organizations or in unrated securities that are determined to be of equivalent quality by Capital Research and Management Company (the "investment adviser").

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

**New World Fund**

General

· The fund will invest at least 35% of its assets in equity and debt securities of issuers domiciled in qualified developing countries. The prospectus contains information on factors considered in determining whether a country is qualified, as well as information on the qualified developing countries in which the fund may currently invest.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including where relevant data is unavailable or the nature of a holding warrants special considerations),

the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

Equity securities

· The fund may invest its assets in equity securities of any company, regardless of where it is domiciled, if the fund's investment adviser determines that a significant portion of its assets or revenues is attributable to developing countries. Although the fund's investment adviser generally considers 20% or more of a company's assets or revenues to be a significant portion of its assets or revenues, in certain limited circumstances (including where relevant data is incomplete or the nature of a holding warrants special considerations), the fund's investment adviser may also take into account additional factors such as the company's industry, expected revenues, and how the company's revenues are earned.

Debt instruments

· The fund may invest in nonconvertible debt securities, including government bonds and securities rated Ba1 or below and BB+ or below by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser or unrated but determined to be of equivalent quality, of issuers domiciled in qualified developing countries, or of issuers that the fund's investment adviser determines have a significant portion of their assets or revenues (generally 20% or more) attributable to developing countries. The fund will generally purchase debt securities considered consistent with its objective of long-term capital appreciation.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

**Capital World Growth and Income Fund**

· The fund may invest up to 10% of its assets in straight debt securities (i.e., not convertible into equity) rated Baa1 or below and BBB+ or below by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser or unrated but determined by the fund's investment adviser to be of equivalent quality.

· The fund may invest up to 5% of its assets in straight debt securities (i.e., not convertible into equity) rated Ba1 or below and BB+ or below by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser or unrated but determined by the fund's investment adviser to be of equivalent quality.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

· For temporary defensive purposes, the fund may invest principally or entirely in securities that are denominated in U.S. dollars or whose issuers are domiciled in the United States. Securities denominated in U.S. dollars include American Depositary Receipts ("ADRs"), certain European Depositary Receipts ("EDRs") and Global Depositary Receipts ("GDRs").

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**Growth-Income Fund**

General

· The fund invests primarily in common stocks or other securities that demonstrate the potential for appreciation and/or dividends.

Investing outside the United States

· The fund may invest up to 15% of its assets outside the United States.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

Debt instruments

· The fund may invest up to 5% of its assets in straight debt securities rated Ba1 or below and BB+ or below by NRSROs, or unrated but determined to be of equivalent quality by the fund's investment adviser.

· The fund currently intends to consider the ratings from Moody's Investors Services, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

**International Growth and Income Fund**

- The fund may invest up to 20% of its assets in the United States. However, the fund has no current intention of investing more than 10% of its assets in the United States (excluding cash equivalents of U.S. issuers) and in securities of issuers who are primarily listed on U.S. securities exchanges. The fund currently intends to invest at least 90% of its assets in issuers whose securities are primarily listed on exchanges outside the United States, cash, cash equivalents (including shares of money market or similar funds managed by the investment adviser or its affiliates) and securities held as collateral issued by U.S. issuers. The fund may also invest in securities outside the United States in the form of depositary receipts or other instruments by which the fund may obtain exposure to equity investments in local markets. The fund therefore expects to be invested in various (but no fewer than three) countries outside the United States.

- For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**Washington Mutual Investors Fund**

General guidelines

· As set forth in its prospectus, generally, common stocks and securities convertible into common stocks meeting the fund's Investment Standards and of issuers on the fund's Eligible List may be purchased by the fund; however, the fund may also hold, to a limited extent, short-term U.S. government securities, cash and cash equivalents.

Investing outside the United States

· The fund may invest up to 10% of its assets outside the United States in securities of issuers that are not included in the S&P 500 Index as further described below under "Washington Mutual Investors Fund and its investment policies."

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**Capital Income Builder**

Income producing securities

· The fund will invest at least 90% of its assets in income-producing securities.

Equity securities

· The fund will invest at least 50% of its assets in equity securities.

Debt instruments

· The fund may invest up to 5% of its assets in straight debt securities (i.e., debt securities that do not have equity conversion or purchase rights) rated Ba1 or below and BB+ or below by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser, or unrated but determined by the fund's investment adviser to be of equivalent quality.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

Investing outside the United States

· The fund may invest up to 50% of its assets in securities outside the United States.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied

economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**Asset Allocation Fund**

General

· Under normal market conditions, the fund generally invests 40% to 80% of its assets in equity securities; 20% to 50% in debt securities; and 0% to 40% in money market instruments and cash.

Debt instruments

· Up to 25% of the fund's debt assets may be invested in straight debt securities (i.e., debt securities that do not have equity conversion or purchase rights) rated Ba1 or below and BB+ or below by NRSROs, or unrated but determined to be of equivalent quality by the fund's investment adviser.

· The fund currently intends to consider the ratings from Moody's Investors Services, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

Investing outside the United States

· The fund may invest up to 15% of its assets in equity securities of issuers domiciled outside the United States.

· The fund may invest up to 5% of its assets in debt securities tied economically to countries outside the United States.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**American Funds Global Balanced Fund**

· The fund will invest at least 45% of the value of its assets in equity investments.

· Under normal market conditions, the fund will invest a percentage of its net assets outside the United States. That percentage will represent at least (a) 40% of the fund's net assets, unless market conditions are not deemed favorable by the fund's investment adviser, in which case 30%, or (b) the percentage of the MSCI All Country World Index represented by companies outside the United States minus 5%, whichever is lower. As a

result, the fund's investments outside the United States may represent less than 40% of its net assets (for example, if the percentage of the MSCI All Country World Index represented by companies outside the United States is 40%, the fund would invest at least 35% of its net assets outside the United States under normal market conditions). The fund's ability to invest outside the United States includes investing in emerging markets.

· The fund will invest at least 25% of the value of its assets in debt securities (including money market instruments). These will consist of investment-grade securities (rated Baa3 or better or BBB– or better by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser or unrated but determined to be of equivalent quality by the fund's investment adviser).

· The fund may also invest up to 5% of its assets in lower quality, higher yielding debt securities including those convertible into common stocks (rated Ba1 or below and BB+ or below by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser or unrated but determined to be of equivalent quality by the fund's investment adviser). Such securities are sometimes referred to as "junk bonds."

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**American Funds Mortgage Fund**

· The fund will invest at least 80% of its assets in mortgage-related securities, including, but not limited to, residential mortgage-backed securities and commercial mortgage-backed securities, federal agency debentures, contracts for future delivery of mortgage-related securities (such as to be announced (TBA) contracts and mortgage dollar rolls), and other securities collateralized by mortgage loans. Under extraordinary circumstances, compliance with certain asset diversification requirements in the Internal Revenue Code applicable to insurance company separate accounts and their underlying funding vehicles may restrict the fund's ability to invest at least 80% of its assets in mortgage-related securities.

· The fund will invest at least 80% of its assets in mortgage-related securities that are sponsored or guaranteed by the U.S. government, including 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, and non-government mortgage-related securities that are rated in the Aaa or AAA category (by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser) or unrated but determined to be of equivalent quality by the fund's investment adviser.

· The fund may invest up to 5% of its assets in securities (excluding securities that are sponsored or guaranteed by the U.S. government, its agencies and instrumentalities) that are in the AA, Aa or A ratings category (by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser) or unrated but determined to be of equivalent quality by the fund's investment adviser.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

· The fund may invest up to 10% of its assets in securities tied economically to countries outside the United States; however, all such securities will be U.S. dollar denominated.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**American High-Income Trust**

Debt instruments

· The fund will invest at least 80% of its assets in lower quality, lower rated debt securities (rated Ba1 / BB+ or below (by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser) or unrated but determined by the fund's investment adviser to be of equivalent quality), including corporate loans, and other similar securities.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the middle rating, consistent with the fund's investment policies. If only two agencies rate a security, the lower rating is used. If only one rates a security, that single rating is used.

Equity

· The fund may invest in equity securities (including common stock, preferred stock, warrants, rights and equity linked notes) received out of a restructuring or corporate action, or in equity securities of issuers of high yield debt (debt rated Ba1 / BB+ or below) within the same or related corporate structure.

Investing outside the United States

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser

will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**Corporate Bond Fund**

Debt instruments

· Normally, the fund invests at least 80% of its assets in corporate debt securities. For purposes of this limit, corporate debt securities include any corporate debt instrument, including, but not limited to, bank loans, covered bonds, hybrids (securities with equity and debt characteristics), certain preferred securities and commercial paper and other cash equivalents.

· The fund invests at least 90% of its assets in debt securities, including money market instruments, cash and cash equivalents, rated Baa3 or better or BBB- or better by NRSROs designated by the fund's investment adviser or unrated but determined to be of equivalent quality by the fund's investment adviser at time of purchase. The fund may invest in debt securities guaranteed or sponsored by the U.S. government without regard to the quality rating assigned to the U.S. government by a NRSRO.

· The fund currently intends to consider the ratings from Moody's Investors Services, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

Investing outside the United States

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**Capital World Bond Fund**

Debt instruments

· The fund invests at least 80% of its assets in bonds and other debt instruments, including cash equivalents and certain preferred securities. For purposes of this investment guideline, investments may be represented by derivative instruments, such as futures contracts and swaps.

· Normally, the fund invests substantially in debt securities rated Baa3 or better or BBB- or better (by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser) or unrated but determined by the fund's investment adviser to be of equivalent quality.

· The fund may invest up to 25% of its assets in debt securities rated Ba1 or below and BB+ or below (by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser) or unrated but determined by the fund's investment adviser to be of equivalent quality.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

Investing outside the United States

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**The Bond Fund of America**

· The fund will invest at least 80% of its assets in bonds and other debt instruments, including cash equivalents and certain preferred securities. For purposes of this investment guideline, investments may be represented by derivative instruments, such as futures contracts and swaps.

· The fund will invest at least 60% of its assets in debt securities rated A3 or better or A- or better by Nationally Recognized Statistical Rating Organizations, or NRSROs, designated by the fund's investment adviser or unrated but determined to be of equivalent quality by the fund's investment adviser, and in U.S. government securities, money market instruments, cash or cash equivalents.

· The fund may invest up to 40% of its assets in debt securities rated below A3 and below A- by NRSROs designated by the fund's investment adviser or unrated but determined to be of equivalent quality by the fund's investment adviser.

· The fund may invest up to 5% of its assets in debt securities rated Ba1 or below and BB+ or below by NRSROs designated by the fund's investment adviser or unrated but determined to be of equivalent quality by the fund's investment adviser.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

· While the fund may not make direct purchases of common stocks or warrants or rights to acquire common stocks, the fund may invest in debt securities that are issued together with common stock or other equity interests or in securities that have equity conversion, exchange or purchase rights. The fund may hold up to 5% of its assets in common stock, warrants and rights acquired after sales of the corresponding debt securities or received in exchange for debt securities.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of

the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

**U.S. Government Securities Fund**

· The fund will invest at least 80% of its assets in securities (including cash equivalents) guaranteed or sponsored by the U.S. government, its agencies and instrumentalities, including bonds and other debt securities. For purposes of this investment guideline, investments may be represented by derivative instruments, such as futures contracts and swaps.

· Securities (excluding cash equivalents) not guaranteed or sponsored by the U.S. government, its agencies or instrumentalities held by the fund will be rated AAA or Aaa by Nationally Recognized Statistical Rating Organizations designated by the fund's investment adviser or unrated securities determined to be of equivalent quality by the fund's investment adviser.

· The fund currently intends to consider the ratings from Moody's Investors Service, S&P Global Ratings and Fitch Ratings. If agency ratings of a security differ, the security will be considered to have received the highest of these ratings, consistent with the fund's investment policies.

· All securities held by the fund will be denominated in U.S. dollars.

**Ultra-Short Bond Fund**

Debt instruments

· Normally, the fund invests at least 80% of its assets in bonds and other debt securities. For purposes of this limit, debt securities include any debt instrument, including, but not limited to, commercial paper and other cash equivalents.

· The money market instruments in which the fund invests, such as commercial paper, commercial bank obligations and ultra-short-term debt securities, will generally be rated A-2 or better or P-2 or better by at least one NRSRO designated by the fund's investment adviser.

Maturity

· The fund maintains a dollar-weighted average portfolio maturity of 60 days or less.

· The fund maintains the dollar-weighted average life of its portfolio at 120 days or less.

· For purposes of determining the weighted average maturity (but not the weighted average life) of the fund's portfolio, certain variable and floating rate obligations and put securities which may otherwise have stated or final maturities in excess of 397 days will be deemed to have remaining maturities equal to the period remaining until each next readjustment of the interest rate or until the fund is entitled to repayment or repurchase of the security.

Liquidity

· The fund may not acquire illiquid securities if, immediately after the acquisition, the fund would have invested more than 15% of its total assets in illiquid securities.

Investing outside the United States

· The fund may purchase obligations of corporations or governmental entities outside the United States, provided those obligations are U.S. dollar-denominated.

· For purposes of determining whether an investment is made in a particular country or geographic region, the fund's investment adviser will generally look to the domicile of the issuer in the case of equity securities or to the country to which the security is tied economically in the case of debt securities. In doing so, the fund's investment adviser will generally look to the determination of MSCI Inc. (MSCI) for equity securities and Bloomberg for debt securities. In certain limited circumstances (including when relevant data is unavailable or the nature of a holding warrants special considerations), the adviser may also take into account additional factors, as applicable, including where the issuer's securities are listed; where the issuer is legally organized, maintains principal corporate offices, conducts its principal operations, generates revenues and/or has credit risk exposure; and the source of guarantees, if any, of such securities.

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The funds may experience difficulty liquidating certain portfolio securities during significant market declines or periods of heavy redemptions.

## Description of certain securities, investment techniques and risks

The descriptions below are intended to supplement the material in the prospectus under “Investment objectives, strategies and risks.” With respect to all funds, portfolio changes will be made without regard to the length of time a particular investment may have been held.

**Market conditions –** The value of, and the income generated by, the securities in which the fund invests may decline, sometimes rapidly or unpredictably, due to factors affecting certain issuers, particular industries or sectors, or the overall markets. Rapid or unexpected changes in market conditions could cause the fund to liquidate holdings at inopportune times or at a loss or depressed value. The value of a particular holding may decrease due to developments related to that issuer, but also due to general market conditions, including real or perceived economic developments such as changes in interest rates, credit quality, inflation, or currency rates or generally adverse investor sentiment, or political events, such as the imposition of trading and tariff arrangements. The value of a holding may also decline due to factors that negatively affect a particular industry or sector, such as labor shortages, increased production costs, or competitive conditions.

Global economies and financial markets are highly interconnected, and conditions and events in one country, region or financial market may adversely impact issuers in a different country, region or financial market. Furthermore, local, regional and global events such as war, acts of terrorism, trading and tariff arrangements, social unrest, natural disasters, the spread of infectious illness or other public health threats, or bank failures could also adversely impact issuers, markets and economies, including in ways that cannot necessarily be foreseen. The fund could be negatively impacted if the value of a portfolio holding were harmed by such conditions or events.

Significant market disruptions, such as those caused by pandemics, natural or environmental disasters, war, acts of terrorism, bank failures or other events, can adversely affect local and global markets and normal market operations. Market disruptions may exacerbate political, social, and economic risks. Additionally, market disruptions may result in increased market volatility; regulatory trading halts; closure of domestic or foreign exchanges, markets, or governments; or market participants operating pursuant to business continuity plans for indeterminate periods of time. Such events can be highly disruptive to economies and markets and significantly impact individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the fund’s investments and operation of the fund. These events could disrupt businesses that are integral to the fund’s operations or impair the ability of employees of fund service providers to perform essential tasks on behalf of the fund.

Governmental and quasi-governmental authorities may take a number of actions designed to support local and global economies and the financial markets in response to economic disruptions. Such actions may include a variety of significant fiscal and monetary policy changes, including, for example, direct capital infusions into companies, new monetary programs and significantly lower interest rates. These actions have resulted in significant expansion of public debt and may result in greater market risk. Additionally, an unexpected or quick reversal of these policies, or the ineffectiveness of these policies, could negatively impact overall investor sentiment and further increase volatility in securities markets.

**Equity securities —** Certain funds may invest in equity securities. Equity securities represent an ownership position in a company. Equity securities held by the fund typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. Holders of equity securities are not creditors of the issuer. If an issuer liquidates, holders of equity securities are entitled to their pro rata share of the issuer’s assets, if

any, after creditors (including the holders of fixed income securities and senior equity securities) are paid.

There may be little trading in the secondary market for particular equity securities, which may adversely affect the fund's ability to value accurately or dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

The growth-oriented, equity-type securities generally purchased by certain of the funds may involve large price swings and potential for loss. To the extent the fund invests in income-oriented, equity-type securities, income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.

**Debt instruments —** Debt securities, also known as "fixed income securities," are used by issuers to borrow money. Bonds, notes, debentures, asset-backed securities (including those backed by mortgages), and loan participations and assignments are common types of debt securities. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Some debt securities, such as zero coupon bonds, do not pay current interest, but are purchased at a discount from their face values and their values accrete over time to face value at maturity. Some debt securities bear interest at rates that are not fixed, but that vary with changes in specified market rates or indices. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. These fluctuations will generally be greater for longer-term debt securities than for shorter-term debt securities. Prices of these securities can also be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. Borrowers that are in bankruptcy or restructuring may never pay off their indebtedness, or they may pay only a small fraction of the amount owed. Direct indebtedness of countries, particularly emerging markets, also involves a risk that the governmental entities responsible for the repayment of the debt may be unable, or unwilling, to pay interest and repay principal when due.

Lower rated debt securities, rated Ba1/BB+ or below by Nationally Recognized Statistical Rating Organizations, are described by the rating agencies as speculative and involve greater risk of default or price changes due to changes in the issuer's creditworthiness than higher rated debt securities, or they may already be in default. Such securities are sometimes referred to as "junk bonds" or high yield bonds. The market prices of these securities may fluctuate more than higher quality securities and may decline significantly in periods of general economic difficulty. It may be more difficult to dispose of, and to determine the value of, lower rated debt securities. Investment grade bonds in the ratings categories A or Baa/BBB also may be more susceptible to changes in market or economic conditions than bonds rated in the highest rating categories.

Certain additional risk factors relating to debt securities are discussed below:

**Sensitivity to interest rate and economic changes —** Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. In addition, during an economic downturn or a period of rising interest rates, issuers that are highly leveraged may experience increased financial stress that could adversely affect their ability to meet projected business goals, to obtain additional financing and to service their principal and interest payment obligations. Periods of economic change and uncertainty also can be expected to result in increased volatility of market prices and yields of certain debt securities and derivative instruments. As discussed under "Market conditions" above in this statement of additional information, governments and quasi-governmental authorities may take actions to support local and global economies and financial markets during periods of economic crisis, including direct capital infusions into companies, new monetary programs and significantly lower interest rates. Such actions may expose fixed income markets to heightened volatility and may reduce liquidity for certain investments, which could cause the value of the funds' portfolio to decline.

**Payment expectations —** Debt securities may contain redemption or call provisions. If an issuer exercises these provisions in a lower interest rate market, the funds may have to replace the security with a lower yielding security, resulting in decreased income to investors. If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the funds may incur losses or expenses in seeking recovery of amounts owed to them.

**Liquidity and valuation —** There may be little trading in the secondary market for particular debt securities, which may affect adversely the funds' ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated. The investment adviser considers these ratings of securities as one of many criteria in making its investment decisions.

Bond rating agencies may assign modifiers (such as +/–) to ratings categories to signify the relative position of a credit within the rating category. Investment policies that are based on ratings categories should be read to include any security within that category, without giving consideration to the modifier except where otherwise provided. See the appendix to this statement of additional information for more information about credit ratings.

**Securities with equity and debt characteristics —** Certain securities have a combination of equity and debt characteristics. Such securities may at times behave more like equity than debt or vice versa.

**Preferred stock** — Preferred stock represents an equity interest in an issuer that generally entitles the holder to receive, in preference to common stockholders and the holders of certain other stocks, dividends and a fixed share of the proceeds resulting from a liquidation of the issuer. Preferred stocks may pay fixed or adjustable rates of return, and preferred stock dividends may be cumulative or non-cumulative and participating or non-participating. Cumulative dividend provisions require all or a portion of prior unpaid dividends to be paid before dividends can be paid to the issuer's common stockholders, while prior unpaid dividends on non-cumulative preferred stock are forfeited. Participating preferred stock may be entitled to a dividend exceeding the issuer's declared dividend in certain cases, while non-participating preferred stock is entitled only to the stipulated dividend. Preferred stock is subject to issuer-specific and market risks applicable generally to equity securities. As with debt securities, the prices and yields of preferred stocks often move with changes in interest rates and the issuer's credit quality. Additionally, a company's preferred stock typically pays dividends only after the company makes required payments to holders of its bonds and other debt. Accordingly, the price of preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the issuing company's financial condition or prospects. Preferred stock of smaller companies may be more vulnerable to adverse developments than preferred stock of larger companies.

**Convertible securities** — A convertible security is a debt obligation, preferred stock or other security that may be converted, within a specified period of time and at a stated conversion rate, into common stock or other equity securities of the same or a different issuer. The conversion may occur automatically upon the occurrence of a predetermined event or at the option of either the issuer or the security holder. Under certain circumstances, a convertible security may also be called for redemption or conversion by the issuer after a particular date and at predetermined price specified upon issue. If a convertible security held by a certain fund is called for redemption or conversion, the fund could be required to tender the security for redemption, convert it into the underlying common stock, or sell it to a third party.

The holder of a convertible security is generally entitled to participate in the capital appreciation resulting from a market price increase in the issuer's common stock and to receive interest paid or accrued until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to non-convertible debt or preferred securities, as applicable. Convertible securities rank senior to common stock in an issuer's capital structure and, therefore, normally entail less risk than the issuer's common stock. However, convertible securities may also be subordinate to any senior debt obligations of the issuer, and, therefore, an issuer's convertible securities may entail more risk than such senior debt obligations. Convertible securities usually offer lower interest or dividend yields than non-convertible debt securities of similar credit quality because of the potential for capital appreciation. In addition, convertible securities are often lower-rated securities.

Because of the conversion feature, the price of a convertible security will normally fluctuate in some proportion to changes in the price of the underlying asset, and, accordingly, convertible securities are subject to risks relating to the activities of the issuer and/or general market and economic conditions. The income component of a convertible security may cushion the security against declines in the price of the underlying asset but may also cause the price of the security to fluctuate based upon changes in interest rates and the credit quality of the issuer. As with a straight fixed income security, the price of a convertible security tends to increase when interest rates decline and decrease when interest rates rise. Like the price of a common

stock, the price of a convertible security also tends to increase as the price of the underlying stock rises and to decrease as the price of the underlying stock declines.

**Hybrid securities** — A hybrid security is a type of security that also has equity and debt characteristics. Like equities, which have no final maturity, a hybrid security may be perpetual. On the other hand, like debt securities, a hybrid security may be callable at the option of the issuer on a date specified at issue. Additionally, like common equities, which may stop paying dividends at virtually any time without violating any contractual terms or conditions, hybrids typically allow for issuers to withhold payment of interest until a later date or to suspend coupon payments entirely without triggering an event of default. Hybrid securities are normally at the bottom of an issuer's debt capital structure because holders of an issuer's hybrid securities are structurally subordinated to the issuer's senior creditors. In bankruptcy, hybrid security holders should only get paid after all senior creditors of the issuer have been paid but before any disbursements are made to the issuer's equity holders. Accordingly, hybrid securities may be more sensitive to economic changes than more senior debt securities. Such securities may also be viewed as more equity-like by the market when the issuer or its parent company experiences financial difficulties.

Contingent convertible securities, which are also known as contingent capital securities, are a form of hybrid security that are intended to either convert into equity or have their principal written down upon the occurrence of certain trigger events. One type of contingent convertible security has characteristics designed to absorb losses, by providing that the liquidation value of the security may be adjusted downward to below the original par value or written off entirely under certain circumstances. For instance, if losses have eroded the issuer's capital level below a specified threshold, the liquidation value of the security may be reduced in whole or in part. The write-down of the security's par value may occur automatically and would not entitle holders to institute bankruptcy proceedings against the issuer. In addition, an automatic write-down could result in a reduced income rate if the dividend or interest payment associated with the security is based on the security's par value. Such securities may, but are not required to, provide for circumstances under which the liquidation value of the security may be adjusted back up to par, such as an improvement in capitalization or earnings. Another type of contingent convertible security provides for mandatory conversion of the security into common shares of the issuer under certain circumstances. The mandatory conversion might relate, for example, to the issuer's failure to maintain a capital minimum. Since the common stock of the issuer may not pay a dividend, investors in such instruments could experience reduced yields (or no yields at all) and conversion would deepen the subordination of the investor, effectively worsening the investor's standing in the case of the issuer's insolvency. An automatic write-down or conversion event with respect to a contingent convertible security will typically be triggered by a reduction in the issuer's capital level, but may also be triggered by regulatory actions, such as a change in regulatory capital requirements, or by other factors.

**Investing in smaller capitalization stocks —** Certain funds may invest in the stocks of smaller capitalization companies. Investing in smaller capitalization stocks can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. For example, smaller companies often have limited product lines, limited operating histories, limited markets or financial resources, may be dependent on one or a few key persons for management and can be more susceptible to losses. Also, their securities may be less liquid or illiquid (and therefore have to be sold at a discount from current prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings, thus creating a greater chance of loss than securities of larger capitalization companies. Because SMALLCAP World Fund in particular emphasizes the stocks of issuers with smaller market capitalizations (by U.S. standards), it can be expected to have more difficulty obtaining information about the issuers or valuing or disposing of its securities than if it were to concentrate on larger capitalization stocks. The funds determine relative market capitalizations using U.S. standards.

Accordingly, the funds' investments in certain countries outside the United States may have larger market capitalizations relative to other companies within those countries.

**Investing in private companies —** Certain funds may invest in companies that have not publicly offered their securities. Investing in private companies can involve greater risks than those associated with investing in publicly traded companies. For example, the securities of a private company may be subject to the risk that market conditions, developments within the company, investor perception, or regulatory decisions may delay or prevent the company from ultimately offering its securities to the public. Furthermore, these investments are generally considered to be illiquid until a company's public offering and are often subject to additional contractual restrictions on resale that would prevent the fund from selling their company shares for a period of time following the public offering.

Investments in private companies can offer the fund significant growth opportunities at attractive prices. However, these investments can pose greater risk, and, consequently, there is no guarantee that positive results can be achieved in the future.

***Leverage risk —*** Certain transactions of the fund may give rise to leverage. These transactions may include, among others, derivatives, future delivery contracts and when-issued, delayed delivery or forward commitment transactions. Leverage can magnify increases and decreases in the value of the fund's portfolio and cause the fund to be more volatile than if the fund had not been leveraged. As a result, the fund may be exposed to a heightened risk of loss and increased costs. Leverage may also cause the fund to sell or liquidate portfolio positions when it may not be advantageous to do so in order to satisfy its obligations or to meet the fund's applicable regulatory requirements regarding the usage of leverage.

**Investing outside the United States —** Certain funds may invest in securities of issuers domiciled outside the United States and which may be denominated in currencies other than the U.S. dollar. Securities of issuers domiciled outside the United States or with significant operations or revenues outside the United States, and securities tied economically to countries 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 are domiciled, operate or generate revenue or to which the securities are tied economically. These issuers may also be more susceptible to actions of foreign governments such as the imposition of price controls, sanctions, or punitive taxes that could adversely impact the value of these securities. To the extent the fund invests in securities that are denominated in currencies other than the U.S. dollar, 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. Securities markets in certain countries may be more volatile or less liquid than those in the United States. Investments outside the United States may also be subject to different accounting practices and different regulatory, legal, auditing, financial reporting and recordkeeping standards and practices, and may be more difficult to value, than those in the United States. In addition, the value of investments outside the United States may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the fund, which could impact the liquidity of the fund's portfolio. The risks of investing outside the United States may be heightened in connection with investments in emerging markets.

Additional costs could be incurred in connection with the fund's investment activities outside the United States. Brokerage commissions may be higher outside the United States, and the fund will bear certain expenses in connection with its currency transactions. Furthermore, increased custodian costs may be associated with maintaining assets in certain jurisdictions.

**Investing in emerging markets** — Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed

countries. For New World Fund, investing in developing countries, the securities markets of which may be referred to as emerging markets or frontier markets, may involve similar risks, and references to “emerging markets” in this statement of additional information also refer to developing countries. For instance, emerging market countries tend to have less developed political, economic and legal systems 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 such issuers may not be subject to regulatory, accounting, auditing, and financial reporting and recordkeeping standards comparable to those to which issuers in more developed markets are subject. The fund’s rights with respect to its investments in emerging markets, if any, will generally be governed by local law, which may make it difficult or impossible for the fund to pursue legal remedies or to obtain and enforce judgments in local courts. In addition, the economies of these countries may be dependent on relatively few industries, may have limited access to capital 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, more vulnerable to market manipulation, and 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.

In countries where direct foreign investment is limited or prohibited, the fund may invest in operating companies based in such countries through an offshore intermediary entity that, based on contractual agreements, seeks to replicate the rights and obligations of direct equity ownership in such operating company. Because the contractual arrangements do not in fact bestow the fund with actual equity ownership in the operating company, these investment structures may limit the fund’s rights as an investor and create significant additional risks. For example, local government authorities may determine that such structures do not comply with applicable laws and regulations, including those relating to restrictions on foreign ownership. In such event, the intermediary entity and/or the operating company may be subject to penalties, revocation of business and operating licenses or forfeiture of foreign ownership interests, and the fund’s economic interests in the underlying operating company and its rights as an investor may not be recognized, resulting in a loss to the fund and its shareholders. In addition, exerting control through contractual arrangements may be less effective than direct equity ownership, and a company may incur substantial costs to enforce the terms of such arrangements, including those relating to the distribution of the funds among the entities. These special investment structures may also be disregarded for tax purposes by local tax authorities, resulting in increased tax liabilities, and the fund’s control over – and distributions due from – such structures may be jeopardized if the individuals who hold the equity interest in such structures breach the terms of the agreements. While these structures may be widely used to circumvent limits on foreign ownership in certain jurisdictions, there is no assurance that they will be upheld by local regulatory authorities or that disputes regarding the same will be resolved consistently.

Although there is no universally accepted definition, the investment adviser generally considers an emerging market to be a market that is in the earlier stages of its industrialization cycle with a low per capita gross domestic product (“GDP”) and a low market capitalization to GDP ratio relative to those in the United States and the European Union, and would include markets commonly referred to as “frontier markets.” For example, the investment adviser currently expects that most countries not designated as developed markets by MSCI Inc. (MSCI) will be treated as emerging markets for equity securities, and that most countries designated as emerging markets by J.P. Morgan or, if not available,

Bloomberg will be treated as emerging markets for debt securities; please refer to the prospectus for New World Fund for information on the countries the fund considers to be developing countries.

**Certain risk factors related to emerging markets**

**Currency fluctuations —** Certain emerging markets' currencies have experienced and in the future may experience significant declines against the U.S. dollar. For example, if the U.S. dollar appreciates against foreign currencies, the value of the fund's emerging markets securities holdings would generally depreciate and vice versa. Further, the fund may lose money due to losses and other expenses incurred in converting various currencies to purchase and sell securities valued in currencies other than the U.S. dollar, as well as from currency restrictions, exchange control regulation, governmental restrictions that limit or otherwise delay the fund's ability to convert or repatriate currencies and currency devaluations.

**Government regulation —** Certain emerging markets lack uniform accounting, auditing and financial reporting and disclosure standards, have less governmental supervision of financial markets than in the United States, and may not honor legal rights or protections enjoyed by investors in the United States. Certain governments may be more unstable and present greater risks of nationalization or restrictions on foreign ownership of local companies. Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging markets. While the fund will only invest in markets where these restrictions are considered acceptable by the investment adviser, a country could impose new or additional repatriation restrictions after the fund's investment. If this happened, the fund's response might include, among other things, applying to the appropriate authorities for a waiver of the restrictions or engaging in transactions in other markets designed to offset the risks of decline in that country. Such restrictions will be considered in relation to the fund's liquidity needs and other factors. Further, some attractive equity securities may not be available to the fund if foreign shareholders already hold the maximum amount legally permissible.

While government involvement in the private sector varies in degree among emerging markets, such involvement may in some cases include government ownership of companies in certain sectors, wage and price controls or imposition of trade barriers and other protectionist measures. With respect to any emerging market, there is no guarantee that some future economic or political crisis will not lead to price controls, forced mergers of companies, expropriation, or creation of government monopolies to the possible detriment of the fund's investments.

**Fluctuations in inflation rates —** Rapid fluctuations in inflation rates may have negative impacts on the economies and securities markets of certain emerging market countries.

**Less developed securities markets —** Emerging markets may be less well-developed and regulated than other markets. These markets have lower trading volumes than the securities markets of more developed countries and may be unable to respond effectively to increases in trading volume. Consequently, these markets may be substantially less liquid than those of more developed countries, and the securities of issuers located in these markets may have limited marketability. These factors may make prompt liquidation of substantial portfolio holdings difficult or impossible at times.

**Settlement risks —** Settlement systems in emerging markets are generally less well organized than those of developed markets. Supervisory authorities may also be unable to apply standards comparable to those in developed markets. Thus, there may be risks that settlement may be delayed and that cash or securities belonging to the fund may be in jeopardy because

of failures of or defects in the systems. In particular, market practice may require that payment be made before receipt of the security being purchased or that delivery of a security be made before payment is received. In such cases, default by a broker or bank (the "counterparty") through which the transaction is effected might cause the fund to suffer a loss. The fund will seek, where possible, to use counterparties whose financial status is such that this risk is reduced. However, there can be no certainty that the fund will be successful in eliminating this risk, particularly as counterparties operating in emerging markets frequently lack the standing or financial resources of those in developed countries. There may also be a danger that, because of uncertainties in the operation of settlement systems in individual markets, competing claims may arise with respect to securities held by or to be transferred to the fund.

**Limited market information —** The fund may encounter problems assessing investment opportunities in certain emerging markets in light of limitations on available information and different accounting, auditing and financial reporting standards. For example, due to jurisdictional limitations, the Public Company Accounting Oversight Board ("PCAOB"), which regulates auditors of U.S. reporting companies, may be unable to inspect the audit work and practices of PCAOB-registered auditing firms in certain emerging markets. As a result, there is greater risk that financial records and information relating to an issuer's operations in emerging markets will be incomplete or misleading, which may negatively impact the fund's investments in such company. When faced with limited market information, the fund's investment adviser will seek alternative sources of information, and to the extent the investment adviser is not satisfied with the sufficiency or accuracy of the information obtained with respect to a particular market or security, the fund will not invest in such market or security.

**Taxation —** Taxation of dividends, interest and capital gains received by the fund varies among emerging markets and, in some cases, is comparatively high. In addition, emerging markets typically have less well-defined tax laws and procedures and such laws may permit retroactive taxation so that the fund could become subject in the future to local tax liability that it had not reasonably anticipated in conducting its investment activities or valuing its assets.

**Fraudulent securities —** Securities purchased by the fund may subsequently be found to be fraudulent or counterfeit, resulting in a loss to the fund.

**Remedies —** Emerging markets may offer less protection to investors than U.S. markets and, in the event of investor harm, there may be substantially less recourse available to the fund and its shareholders. In addition, as a matter of law or practicality, the fund and its shareholders - as well as U.S. regulators - may encounter substantial difficulties in obtaining and enforcing judgments and other actions against non-U.S. individuals and companies.

**Investing through Stock Connect —** The fund may invest in China A-shares of certain Chinese companies listed and traded on the Shanghai Stock Exchange ("SSE") and on the Shenzhen Stock Exchange ("SZSE", and together, the "Exchanges") through the Shanghai-Hong Kong Stock Connect Program and the Shenzhen-Hong Kong Stock Connect Program, respectively (together, "Stock Connect"). Stock Connect is a securities trading and clearing program developed by the Exchange of Hong Kong, the Exchanges and the China Securities Depository and Clearing Corporation Limited. Stock Connect facilitates foreign investment in the People's Republic of China ("PRC") via brokers in Hong Kong. Persons investing through Stock Connect are subject to PRC regulations and Exchange listing rules, among others. These could include limitations on or suspension of trading. These regulations are relatively new and subject to changes which could adversely impact the fund's rights with respect to the securities. For example, a stock may be recalled from the scope of securities traded on the SSE or SZSE eligible for trading via Stock Connect for various reasons, and in such event the stock can be sold but is restricted from being bought. In such event, the investment adviser's ability to implement the fund's investment strategies may be adversely affected. As Stock Connect is still

relatively new, investments made through Stock Connect are subject to relatively new trading, clearance and settlement procedures and there are no assurances that the necessary systems to run the program will function properly. In addition, Stock Connect is subject to aggregate and daily quota limitations on purchases and permitted price fluctuations. As a result, the fund may experience delays in transacting via Stock Connect and there can be no assurance that a liquid market on the Exchanges will exist. Since Stock Connect only operates on days when both the Chinese and Hong Kong markets are open for trading, and banking services are available in both markets on the corresponding settlement days, the fund's ownership interest in securities traded through Stock Connect may not be reflected directly and the fund may be subject to the risk of price fluctuations in China A-shares when Stock Connect is not open to trading. Changes in Chinese tax rules may also adversely affect the fund's performance. The fund's shares are held in an omnibus account and registered in nominee name. Please also see the sections on risks relating to investing outside the United States and investing in emerging markets.

**Investing through Bond Connect —** The fund may invest in onshore China bonds via Bond Connect, the opening up of China's Interbank Bond Market (CIBM) to global investors through the China-Hong Kong mutual access program. The program allows foreign and mainland China investors the ability to trade in each other's bond market through a connection between the mainland and Hong Kong based financial infrastructure institutions. Bond Connect aims to enhance the efficiency and flexibility of investing in the CIBM. This is accomplished by easing the access requirements to enter the market and using the Hong Kong trading infrastructure to connect to China Foreign Exchange Trading System (CFETS). Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The bid and offer spreads of the prices of such securities may be large, and the fund may therefore incur significant trading, settlement and realization costs and may face counterparty default, liquidity, and volatility risks, resulting in significant losses for the funds and their investors. Bond Connect is a novel concept and, as such, the current regulations are untested and there is no certainty as to how they will be applied. In addition, the current regulations are subject to change which may have potential retrospective effects and there can be no assurance that Bond Connect will not be abolished. New regulations may be issued from time to time by the regulators in the PRC and Hong Kong in connection with operations, legal enforcement and cross-border trades under Bond Connect. The fund may be adversely affected as a result of such changes.

**Synthetic local access instruments** — Participation notes, market access warrants and other similar structured investment vehicles (collectively, "synthetic local access instruments") are instruments used by investors to obtain exposure to equity investments in local markets where direct ownership by foreign investors is not permitted or is otherwise restricted by local law. Synthetic local access instruments, which are generally structured and sold over-the-counter by a local branch of a bank or broker-dealer that is permitted to purchase equity securities in the local market, are designed to replicate exposure to one or more underlying equity securities. The price and performance of a synthetic local access instrument are normally intended to track the price and performance of the underlying equity assets as closely as possible. However, there can be no assurance that the results of synthetic local access instruments will replicate exactly the performance of the underlying securities due to transaction costs, taxes and other fees and expenses. The holder of a synthetic local access instrument may also be entitled to receive any dividends paid in connection with the underlying equity assets, but usually does not receive voting rights as it would if such holder directly owned the underlying assets.

Investments in synthetic local access instruments involve the same risks associated with a direct investment in the shares of the companies the instruments seek to replicate, including, in particular, the risks associated with investing outside the United States. Synthetic local access instruments also involve risks that are in addition to the risks normally associated with a direct investment in the underlying equity securities. For instance, synthetic local access instruments represent unsecured, unsubordinated contractual obligations of the banks or broker-dealers that issue them. Consequently,

a purchaser of a synthetic local access instrument relies on the creditworthiness of such a bank or broker-dealer counterparty and has no rights under the instrument against the issuer of the underlying equity securities. Additionally, there is no guarantee that a liquid market for a synthetic local access instrument will exist or that the issuer of the instrument will be willing to repurchase the instrument when an investor wishes to sell it.

**Currency transactions —** Certain funds may enter into currency transactions on a spot (i.e., cash) basis at the prevailing rate in the currency exchange market to provide for the purchase or sale of a currency needed to purchase a security denominated in such currency. In addition, certain funds may enter into forward currency contracts and may purchase and sell options on currencies to protect against changes in currency exchange rates, to increase exposure to a particular foreign currency, to shift exposure to currency fluctuations from one currency to another or to seek to increase returns. A forward currency contract is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. Some forward currency contracts, called non-deliverable forwards or NDFs, do not call for physical delivery of the currency and are instead settled through cash payments. Forward currency contracts are typically privately negotiated and traded in the interbank market between large commercial banks (or other currency traders) and their customers. Although forward contracts entered into by the fund will typically involve the purchase or sale of a currency against the U.S. dollar, the fund also may purchase or sell a non-U.S. currency against another non-U.S. currency.

The fund may also purchase or write put and call options on foreign currencies on exchanges or in the over-the-counter ("OTC") market. A put option on a foreign currency gives the purchaser of the option the right to sell a foreign currency at the exercise price until the option expires. A call option on a foreign currency gives the purchaser of the option the right to purchase the currency at the exercise price until the option expires. Currency options, to the extent not exercised, will expire and the fund, as the purchaser, would experience a loss to the extent of the premium paid for the option. Instead of purchasing a call option to hedge against an anticipated increase in the dollar cost of securities to be acquired, the fund could write a put option on the relevant currency, which, if exchange rates move in the manner projected, will expire unexercised and allow the fund to hedge such increased cost up to the amount of the premium. As in the case of other types of options, however, writing a currency option will provide a hedge only up to the amount of the premium, and only if exchange rates move in the expected direction. If this does not occur, the option may be exercised and the fund would be required to purchase or sell the underlying currency at a loss that may not be offset by the amount of the premium. Through the writing of options on foreign currencies, the fund also may be required to forego all or a portion of the benefit that might otherwise have been obtained from favorable movements in exchange rates. OTC options are bilateral contracts that are individually negotiated and they are generally less liquid than exchange-traded options. Although this type of arrangement allows the purchaser or writer greater flexibility to tailor an option to its needs, OTC options generally involve credit risk to the counterparty, whereas for exchange-traded options, credit risk is mutualized through the involvement of the applicable clearing house. Currency options traded on exchanges may be subject to position limits, which may limit the ability of the fund to reduce currency risk using such options. To the extent that the U.S. options markets are closed while the markets for the underlying currencies remain open, substantial price and rate movements may take place in the currency markets that cannot be reflected in the U.S. options markets. See also "Options" for a general description of investment techniques and risks relating to options.

Currency exchange rates generally are determined by forces of supply and demand in the foreign exchange markets and the relative merits of investment in different countries as viewed from an international perspective. Currency exchange rates, as well as foreign currency transactions, can also be affected unpredictably by intervention by U.S. or foreign governments or central banks or by currency controls or political developments in the United States or abroad. Such intervention or other events could prevent the fund from entering into foreign currency transactions, force the fund to exit

such transactions at an unfavorable time or price or result in penalties to the fund, any of which may result in losses to the fund.

Generally, a fund will not attempt to protect against all potential changes in exchange rates and the use of forward contracts does not eliminate the risk of fluctuations in the prices of the underlying securities. If the value of the underlying securities declines or the amount of the fund's commitment increases because of changes in exchange rates, the fund may need to provide additional cash or securities to satisfy its commitment under the forward contract. The fund is also subject to the risk that it may be delayed or prevented from obtaining payments owed to it under the forward contract as a result of the insolvency or bankruptcy of the counterparty with which it entered into the forward contract or the failure of the counterparty to comply with the terms of the contract.

The realization of gains or losses on foreign currency transactions will usually be a function of the investment adviser's ability to accurately estimate currency market movements. Entering into forward currency transactions may change the fund's exposure to currency exchange rates and could result in losses to the fund if currencies do not perform as expected by the fund's investment adviser. For example, if the fund's investment adviser increases a fund's exposure to a foreign currency using forward contracts and that foreign currency's value declines, the fund may incur a loss. In addition, while entering into forward currency transactions 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. See also the "Derivatives" section under "Description of certain securities, investment techniques and risks" for a general description of investment techniques and risks relating to derivatives, including certain currency forwards and currency options.

Forward currency contracts may give rise to leverage, or exposure to potential gains and losses in excess of the initial amount invested. Leverage magnifies gains and losses and could cause a fund to be subject to more volatility than if it had not been leveraged, thereby resulting in a heightened risk of loss. Forward currency contracts are considered derivatives. Accordingly, under the SEC's rule applicable to the fund's use of derivatives, a fund's obligations with respect to these instruments will depend on the fund's aggregate usage of and exposure to derivatives, and the fund's usage of forward currency contracts is subject to written policies and procedures reasonably designed to manage the fund's derivatives risk.

Forward currency transactions also may affect the character and timing of income, gain, or loss recognized by the fund for U.S. tax purposes. The use of forward currency contracts could result in the application of the mark-to-market provisions of the Internal Revenue Code of 1986, as amended (the "Code") and may cause an increase (or decrease) in the amount of taxable dividends paid by the fund.

**Indirect exposure to cryptocurrencies –** Cryptocurrencies are digital assets which may act as a store of wealth, a medium of exchange or an investment asset. There are thousands of cryptocurrencies, such as bitcoin. Although the fund has no current intention of directly investing in cryptocurrencies, some issuers accept cryptocurrency for payment of services, use cryptocurrencies as reserve assets and/or invest in cryptocurrencies, and certain funds may have exposure to cryptocurrencies through investments in securities of such issuers. Certain funds may also invest in securities of issuers which provide cryptocurrency-related services.

Cryptocurrencies are subject to fluctuations in value. Cryptocurrencies are not backed by any government, corporation or other identified body. Rather, the value of a cryptocurrency is determined by other factors, such as the perceived future prospects or the supply and demand for such cryptocurrency in the global market for the trading of cryptocurrency. Cryptocurrencies may trade on platforms which are largely unregulated and may be more exposed to operational or technical issues as well as fraud or manipulation in comparison to established, regulated exchanges for securities, derivatives and traditional currencies. The values of cryptocurrencies have been, and may in the future

continue to be, highly volatile and subject to sudden and significant increases and declines. The value of a cryptocurrency may decline precipitously (including to zero) for a variety of reasons, including, but not limited to, regulatory changes, a loss of confidence in its network or a change in user preference to other cryptocurrencies. The value of securities of issuers with significant holdings of cryptocurrencies may be subject to, among other things, fluctuations in the value of such cryptocurrencies, and such issuers may experience custody issues and/or lose their cryptocurrency holdings through theft, hacking, or technical glitches in the applicable blockchain. Certain funds may experience losses as a result of the decline in value of its securities of issuers that own cryptocurrencies or which provide cryptocurrency-related services. If an issuer that owns cryptocurrencies intends to pay a dividend using such holdings or to otherwise make a distribution of such holdings to its stockholders, such dividends or distributions may face regulatory, operational and technical issues.

Factors affecting the further development, use, and exchange of cryptocurrency include, but are not limited to: continued worldwide growth of, or possible cessation of or reversal in, the adoption and use of cryptocurrencies and other digital assets; the developing regulatory environment relating to cryptocurrencies, including the characterization of cryptocurrencies as currencies, commodities, or securities, the tax treatment of cryptocurrencies, and government and quasi-government regulation or restrictions on, or regulation of access to and operation of, cryptocurrency networks and the exchanges on which cryptocurrencies trade, including anti-money laundering regulations and requirements; perceptions regarding the environmental impact of a cryptocurrency; changes in consumer demographics and public preferences; general economic conditions; maintenance and development of open-source software protocols; the availability and popularity of other forms or methods of buying and selling goods and services; the use of the networks supporting digital assets, such as those for developing smart contracts and distributed applications; and general risks tied to the use of information technologies, including cyber risks. A hack or failure of one cryptocurrency may lead to a loss in confidence in, and thus decreased usage and/or value of, other cryptocurrencies.

**Forward commitment, when issued and delayed delivery transactions —** Certain funds may enter into commitments to purchase or sell securities at a future date. When a fund agrees to purchase such securities, it assumes the risk of any decline in value of the security from the date of the agreement, and when a fund agrees to sell such securities, it assumes the risk of any increase in value of the security. If the other party to such a transaction fails to deliver or pay for the securities, the fund could miss a favorable price or yield opportunity, or could experience a loss.

Certain funds may roll such transactions in lieu of taking physical delivery of the contract's underlying assets on the settlement date. When rolling the purchase of these types of transactions, a fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, coupon, and maturity) securities on a specified future date, at a pre-determined price. When rolling the sale of these types of transactions, a fund purchases mortgage-backed securities for delivery in the current month and simultaneously contracts to sell substantially similar (same type, coupon, and maturity) securities on a specified future date, at a pre-determined price.

When rolling these types of transactions, during the period between the initial sale (or purchase) and subsequent repurchase (or sale) (the "roll period"), a fund forgoes principal and interest paid on the mortgage-backed securities. The fund is compensated by the price differential between the original and new contracts (often referred to as the "drop"), if any, as well as by the interest earned on the cash proceeds of any sales. The fund also takes the risk that market prices or characteristics of the underlying mortgage-backed securities may move unfavorably between the original and new contracts. The fund could suffer a loss if the contracting party fails to perform the future transaction and a fund is therefore unable to buy or sell back the mortgage-backed securities it initially either sold or purchased, respectively. These transactions are accounted for as purchase and sale transactions, which contribute to a fund's portfolio turnover rate.

With to be announced (“TBA”) transactions, the particular securities (i.e., specified mortgage pools) to be delivered or received are not identified at the trade date, but are “to be announced” at a later settlement date. However, securities to be delivered must meet specified criteria, including face value, coupon rate and maturity, and be within industry-accepted “good delivery” standards. The fund will not use these transactions for the purpose of leveraging. Although these transactions will not be entered into for leveraging purposes, a fund temporarily could be in a leveraged position (because it may have an amount greater than its net assets subject to market risk). Should market values of a fund’s portfolio securities decline while a fund is in a leveraged position, greater depreciation of its net assets would likely occur than if it were not in such a position. After a transaction is entered into, a fund may still dispose of or renegotiate the transaction. Additionally, prior to receiving delivery of securities as part of a transaction, a fund may sell such securities.

When a fund enters into a TBA commitment for the sale of mortgage-backed securities for a fixed price, with payment and delivery on an agreed upon future settlement date (which may be referred to as having a short position in such TBA securities), a fund may or may not hold the types of mortgage-backed securities required to be delivered. To the extent a fund has sold such a security on a when-issued, delayed delivery, or forward commitment basis, a fund would not participate in future gains or losses with respect to the security if a fund holds such security. If the other party to a transaction fails to pay for the securities, a fund could suffer a loss. Additionally, when selling a security on a when-issued, delayed delivery or forward commitment basis without owning the security, a fund will incur a loss if the security’s price appreciates in value such that the security’s price is above the agreed-upon price on the settlement date.

Under the SEC’s rule applicable to the fund’s use of derivatives, when issued, forward-settling and nonstandard settlement cycle securities, as well as TBAs and roll transactions, will be treated as derivatives unless the fund intends to physically settle these transactions and the transactions will settle within 35 days of their respective trade dates.

**Obligations backed by the “full faith and credit” of the U.S. government —** U.S. government obligations include the following types of securities:

> **U.S. Treasury securities —** U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes and bonds. For these securities, the payment of principal and interest is unconditionally guaranteed by the U.S. government, and thus they are of high credit quality.
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> **Federal agency securities —** The securities of certain U.S. government agencies and government-sponsored entities are guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government. Such agencies and entities include, but are not limited to, the Federal Financing Bank (“FFB”), the Government National Mortgage Association (“Ginnie Mae”), the U.S. Department of Veterans Affairs (“VA”), the Federal Housing Administration (“FHA”), the Export-Import Bank of the United States (“Exim Bank”), the U.S. International Development Finance Corporation (“DFC”), the Commodity Credit Corporation (“CCC”) and the U.S. Small Business Administration (“SBA”).

Such securities are subject to variations in market value due to fluctuations in interest rates and in government policies, among other things, but, if held to maturity, are expected to be paid in full (either at maturity or thereafter). However, from time to time, a high national debt level, and uncertainty regarding negotiations to increase the U.S. government’s debt ceiling and periodic legislation to fund the government, could increase the risk that the U.S. government may default on its obligations and/or lead to a downgrade of the credit rating of the U.S. government. Such an event could adversely affect the value of investments in securities backed by the full faith and credit of the U.S. government, cause the fund to suffer losses and lead to significant disruptions in U.S. and global markets. Regulatory or

market changes or conditions could increase demand for U.S. government securities and affect the availability of such instruments for investment and the fund's ability to pursue its investment strategies.

**Other federal agency obligations —** Additional federal agency securities are neither direct obligations of, nor guaranteed by, the U.S. government. These obligations include securities issued by certain U.S. government agencies and government-sponsored entities. However, they generally involve some form of federal sponsorship: some operate under a congressional charter; some are backed by collateral consisting of “full faith and credit” obligations as described above; some are supported by the issuer’s right to borrow from the Treasury; and others are supported only by the credit of the issuing government agency or entity. These agencies and entities include, but are not limited to: the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation (“Freddie Mac”), the Federal National Mortgage Association (“Fannie Mae”), the Tennessee Valley Authority and the Federal Farm Credit Bank System.

In 2008, Freddie Mac and Fannie Mae were placed into conservatorship by their new regulator, the Federal Housing Finance Agency (“FHFA”). Simultaneously, the U.S. Treasury made a commitment of indefinite duration to maintain the positive net worth of both firms. As conservator, the FHFA has the authority to repudiate any contract either firm has entered into prior to the FHFA’s appointment as conservator (or receiver should either firm go into default) if the FHFA, in its sole discretion determines that performance of the contract is burdensome and repudiation would promote the orderly administration of Fannie Mae’s or Freddie Mac’s affairs. While the FHFA has indicated that it does not intend to repudiate the guaranty obligations of either entity, doing so could adversely affect holders of their mortgage-backed securities. For example, if a contract were repudiated, the liability for any direct compensatory damages would accrue to the entity’s conservatorship estate and could only be satisfied to the extent the estate had available assets. As a result, if interest payments on Fannie Mae or Freddie Mac mortgage-backed securities held by the fund were reduced because underlying borrowers failed to make payments or such payments were not advanced by a loan servicer, the fund’s only recourse might be against the conservatorship estate, which might not have sufficient assets to offset any shortfalls.

The FHFA, in its capacity as conservator, has the power to transfer or sell any asset or liability of Fannie Mae or Freddie Mac. The FHFA has indicated it has no current intention to do this; however, should it do so a holder of a Fannie Mae or Freddie Mac mortgage-backed security would have to rely on another party for satisfaction of the guaranty obligations and would be exposed to the credit risk of that party.

Certain rights provided to holders of mortgage-backed securities issued by Fannie Mae or Freddie Mac under their operative documents may not be enforceable against the FHFA, or enforcement may be delayed during the course of the conservatorship or any future receivership. For example, the operative documents may provide that upon the occurrence of an event of default by Fannie Mae or Freddie Mac, holders of a requisite percentage of the mortgage-backed security may replace the entity as trustee. However, under the Federal Housing Finance Regulatory Reform Act of 2008, holders may not enforce this right if the event of default arises solely because a conservator or receiver has been appointed.

**Pass-through securities —** Certain funds may invest in various debt obligations backed by pools of mortgages, corporate loans or other assets including, but not limited to, residential mortgage loans, home equity loans, mortgages on commercial buildings, consumer loans and equipment leases. Principal and interest payments made on the underlying asset pools backing these obligations are typically passed through to investors, net of any fees paid to any insurer or any guarantor of the securities. Pass-through securities may have either fixed or adjustable coupons. The risks of an investment in these obligations depend in part on the type of the collateral securing the obligations and the class of the instrument in which the fund invests. These securities include:

**Mortgage-backed securities —** These securities may be issued by U.S. government agencies and government-sponsored entities, such as Ginnie Mae, Fannie Mae and Freddie Mac, and by private entities. The payment of interest and principal on mortgage-backed obligations issued by U.S. government agencies may be guaranteed by the full faith and credit of the U.S. government (in the case of Ginnie Mae), or may be guaranteed by the issuer (in the case of Fannie Mae and Freddie Mac). However, these guarantees do not apply to the market prices and yields of these securities, which vary with changes in interest rates.

Mortgage-backed securities issued by private entities are structured similarly to those issued by U.S. government agencies. However, these securities and the underlying mortgages are not guaranteed by any government agencies and the underlying mortgages are not subject to the same underwriting requirements. These securities generally are structured with one or more types of credit enhancements such as insurance or letters of credit issued by private companies. Borrowers on the underlying mortgages are usually permitted to prepay their underlying mortgages. Prepayments can alter the effective maturity of these instruments. In addition, delinquencies, losses or defaults by borrowers can adversely affect the prices and volatility of these securities. Such delinquencies and losses can be exacerbated by declining or flattening housing and property values. This, along with other outside pressures, such as bankruptcies and financial difficulties experienced by mortgage loan originators, decreased investor demand for mortgage loans and mortgage-related securities and increased investor demand for yield, can adversely affect the value and liquidity of mortgage-backed securities.

**Adjustable rate mortgage-backed securities —** Adjustable rate mortgage-backed securities ("ARMS") have interest rates that reset at periodic intervals. Acquiring ARMS permits the fund to participate in increases in prevailing current interest rates through periodic adjustments in the coupons of mortgages underlying the pool on which ARMS are based. Such ARMS generally have higher current yield and lower price fluctuations than is the case with more traditional fixed income debt securities of comparable rating and maturity. In addition, when prepayments of principal are made on the underlying mortgages during periods of rising interest rates, the fund can reinvest the proceeds of such prepayments at rates higher than those at which they were previously invested. Mortgages underlying most ARMS, however, have limits on the allowable annual or lifetime increases that can be made in the interest rate that the mortgagor pays. Therefore, if current interest rates rise above such limits over the period of the limitation, the fund, when holding an ARMS, does not benefit from further increases in interest rates. Moreover, when interest rates are in excess of coupon rates (i.e., the rates being paid by mortgagors) of the mortgages, ARMS behave more like fixed income securities and less like adjustable rate securities and are subject to the risks associated with fixed income securities. In addition, during periods of rising interest rates, increases in the coupon rate of adjustable rate mortgages generally lag current market interest rates slightly, thereby creating the potential for capital depreciation on such securities.

**Collateralized mortgage obligations (CMOs) —** CMOs are also backed by a pool of mortgages or mortgage loans, which are divided into two or more separate bond issues. CMOs issued by U.S. government agencies are backed by agency mortgages, while privately issued CMOs may be backed by either government agency mortgages or private mortgages. Payments of principal and interest are passed through to each bond issue at varying schedules resulting in bonds with different coupons, effective maturities and sensitivities to interest rates. Some CMOs may be structured in a way that when interest rates change, the impact of changing prepayment rates on the effective maturities of certain issues of these securities is magnified. CMOs may be less liquid or may exhibit greater price volatility than other types of mortgage or asset-backed securities.

**Commercial mortgage-backed securities —** These securities are backed by mortgages on commercial property, such as hotels, office buildings, retail stores, hospitals and other

commercial buildings. These securities may have a lower prepayment uncertainty than other mortgage-related securities because commercial mortgage loans generally prohibit or impose penalties on prepayments of principal. In addition, commercial mortgage-related securities often are structured with some form of credit enhancement to protect against potential losses on the underlying mortgage loans. Many of the risks of investing in commercial mortgage-backed securities reflect the risks of investing in the real estate securing the underlying mortgage loans, including the effects of local and other economic conditions on real estate markets, the ability of tenants to make rental payments and the ability of a property to attract and retain tenants. Commercial mortgage-backed securities may be less liquid or exhibit greater price volatility than other types of mortgage or asset-backed securities and may be more difficult to value.

**Asset-backed securities —** These securities are backed by other assets such as credit card, automobile or consumer loan receivables, retail installment loans or participations in pools of leases. Credit support for these securities may be based on the underlying assets and/or provided through credit enhancements by a third party. The values of these securities are sensitive to changes in the credit quality of the underlying collateral, the credit strength of the credit enhancement, changes in interest rates and at times the financial condition of the issuer. Obligors of the underlying assets also may make prepayments that can change effective maturities of the asset-backed securities. These securities may be less liquid and more difficult to value than other securities.

**Collateralized bond obligations (CBOs) and collateralized loan obligations (CLOs)** — A CBO is a trust typically backed by a diversified pool of fixed-income securities, which may include high risk, lower rated securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, senior secured loans, senior unsecured loans, and subordinate corporate loans, including lower rated loans. CBOs and CLOs may charge management fees and administrative expenses.

For both CBOs and CLOs, the cash flows from the trust are split into two or more portions, called tranches, varying in risk and yield. The riskiest and highest yielding portion is the “equity” tranche which bears the bulk of any default by the bonds or loans in the trust and is constructed to protect the other, more senior tranches from default. Since they are partially protected from defaults, the more senior tranches typically have higher ratings and lower yields than the underlying securities in the trust and can be rated investment grade. Despite the protection from the equity tranche, the more senior tranches can still experience substantial losses due to actual defaults of the underlying assets, increased sensitivity to defaults due to impairment of the collateral or the more junior tranches, market anticipation of defaults, as well as potential general aversions to CBO or CLO securities as a class. Normally, these securities are privately offered and sold, and thus, are not registered under the securities laws. CBOs and CLOs may be less liquid, may exhibit greater price volatility and may be more difficult to value than other securities.

“IOs” and “POs” are issued in portions or tranches with varying maturities and characteristics. Some tranches may only receive the interest paid on the underlying mortgages (IOs) and others may only receive the principal payments (POs). The values of IOs and POs are extremely sensitive to interest rate fluctuations and prepayment rates, and IOs are also subject to the risk of early repayment of the underlying mortgages that will substantially reduce or eliminate interest payments.

**Warrants and rights —** Warrants and rights may be acquired by certain funds in connection with other securities or separately. Warrants generally entitle, but do not obligate, their holder to purchase other equity or fixed income securities at a specified price at a later date. Rights are similar to warrants but typically have a shorter duration and are issued by a company to existing holders of its stock to provide those holders the right to purchase additional shares of stock at a later date. Warrants and rights do

not carry with them the right to dividends or voting rights with respect to the securities that they entitle their holder to purchase, and they do not represent any rights in the assets of the issuing company. Additionally, a warrant or right ceases to have value if it is not exercised prior to its expiration date. As a result, warrants and rights may be considered more speculative than certain other types of investments. Changes in the value of a warrant or right do not necessarily correspond to changes in the value of its underlying security. The price of a warrant or right may be more volatile than the price of its underlying security, and they therefore present greater potential for capital appreciation and capital loss. The effective price paid for warrants or rights added to the subscription price of the related security may exceed the value of the subscribed security's market price, such as when there is no movement in the price of the underlying security. The market for warrants or rights may be very limited and it may be difficult to sell them promptly at an acceptable price.

**Depositary receipts —** Depositary receipts are securities that evidence ownership interests in, and represent the right to receive, a security or a pool of securities that have been deposited with a bank or trust depository. Certain funds may invest in American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs"), and other similar securities. For ADRs, the depository is typically a U.S. financial institution and the underlying securities are issued by a non-U.S. entity. For other depositary receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may be issued by a non-U.S. or a U.S. entity. Depositary receipts will not necessarily be denominated in the same currency as their underlying securities. Generally, ADRs are issued in registered form, denominated in U.S. dollars, and designed for use in the U.S. securities markets. Other depositary receipts, such as EDRs and GDRs, may be issued in bearer form, may be denominated in either U.S. dollars or in non-U.S. currencies, and are primarily designed for use in securities markets outside the United States. ADRs, EDRs and GDRs can be sponsored by the issuing bank or trust company or the issuer of the underlying securities. Although the issuing bank or trust company may impose charges for the collection of dividends and the conversion of such securities into the underlying securities, generally no fees are imposed on the purchase or sale of these securities other than transaction fees ordinarily involved with trading stock. Such securities may be less liquid or may trade at a lower price than the underlying securities of the issuer. Additionally, the issuers of securities underlying depositary receipts may not be obligated to timely disclose information that is considered material under the securities laws of the United States. Therefore, less information may be available regarding these issuers than about the issuers of other securities and there may not be a correlation between such information and the market value of the depositary receipts.

**Inflation-linked bonds —** Certain funds may invest in inflation-linked bonds issued by governments, their agencies or instrumentalities and corporations.

The principal amount of an inflation-linked bond is adjusted in response to changes in the level of an inflation index, such as the Consumer Price Index for Urban Consumers ("CPURNSA"). If the index measuring inflation falls, the principal value or coupon of these securities will be adjusted downward. Consequently, the interest payable on these securities will be reduced. Also, if the principal value of these securities is adjusted according to the rate of inflation, the adjusted principal value repaid at maturity may be less than the original principal. In the case of U.S. Treasury Inflation-Protected Securities ("TIPS"), currently the only inflation-linked security that is issued by the U.S. Treasury, the principal amounts are adjusted daily based upon changes in the rate of inflation (as currently represented by the non-seasonally adjusted CPURNSA, calculated with a three-month lag). TIPS may pay interest semi-annually, equal to a fixed percentage of the inflation-adjusted principal amount. The interest rate on these bonds is fixed at issuance, but over the life of the bond this interest may be paid on an increasing or decreasing principal amount that has been adjusted for inflation. The current market value of TIPS is not guaranteed and will fluctuate. However, the U.S. government guarantees that, at maturity, principal will be repaid at the higher of the original face value of the security (in the event of deflation) or the inflation adjusted value.

Other non-U.S. sovereign governments also issue inflation-linked securities that are tied to their own local consumer price indexes and that offer similar deflationary protection. In certain of these non-U.S. jurisdictions, the repayment of the original bond principal upon the maturity of an inflation-linked bond is not guaranteed, allowing for the amount of the bond repaid at maturity to be less than par. Corporations also periodically issue inflation-linked securities tied to CPURNSA or similar inflationary indexes. While TIPS and non-U.S. sovereign inflation-linked securities are currently the largest part of the inflation-linked market, the fund may invest in corporate inflation-linked securities.

The value of inflation-linked securities is expected to change in response to the changes in real interest rates. Real interest rates, in turn, are tied to the relationship between nominal interest rates and the rate of inflation. If inflation were to rise at a faster rate than nominal interest rates, real interest rates would decline, leading to an increase in value of the inflation-linked securities. In contrast, if nominal interest rates were to increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-linked securities. There can be no assurance, however, that the value of inflation-linked securities will be directly correlated to the changes in interest rates. If interest rates rise due to reasons other than inflation, investors in these securities may not be protected to the extent that the increase is not reflected in the security's inflation measure.

The interest rate for inflation-linked bonds is fixed at issuance as a percentage of this adjustable principal. Accordingly, the actual interest income may both rise and fall as the principal amount of the bonds adjusts in response to movements of the consumer price index. For example, typically interest income would rise during a period of inflation and fall during a period of deflation.

The market for inflation-linked securities may be less developed or liquid, and more volatile, than certain other securities markets. There is a limited number of inflation-linked securities currently available for the fund to purchase, making the market less liquid and more volatile than the U.S. Treasury and agency markets.

**Municipal bonds —** Municipal bonds are debt obligations that are exempt from federal, state and/or local income taxes. Opinions relating to the validity of municipal bonds, exclusion of municipal bond interest from an investor's gross income for federal income tax purposes and, where applicable, state and local income tax, are rendered by bond counsel to the issuing authorities at the time of issuance.

The two principal classifications of municipal bonds are general obligation bonds and limited obligation or revenue bonds. General obligation bonds are secured by the issuer's pledge of its full faith and credit including, if available, its taxing power for the payment of principal and interest. Issuers of general obligation bonds include states, counties, cities, towns and various regional or special districts. The proceeds of these obligations are used to fund a wide range of public facilities, such as the construction or improvement of schools, highways and roads, water and sewer systems and facilities for a variety of other public purposes. Lease revenue bonds or certificates of participation in leases are payable from annual lease rental payments from a state or locality. Annual rental payments are payable to the extent such rental payments are appropriated annually.

Typically, the only security for a limited obligation or revenue bond is the net revenue derived from a particular facility or class of facilities financed thereby or, in some cases, from the proceeds of a special tax or other special revenues. Revenue bonds have been issued to fund a wide variety of revenue-producing public capital projects including: electric, gas, water and sewer systems; highways, bridges and tunnels; port and airport facilities; colleges and universities; hospitals; and convention, recreational, tribal gaming and housing facilities. Although the security behind these bonds varies widely, many provide additional security in the form of a debt service reserve fund which may also be used to make principal and interest payments on the issuer's obligations. In addition, some revenue obligations (as well as general obligations) are insured by a bond insurance company or backed by a letter of credit issued by a banking institution.

Revenue bonds also include, for example, pollution control, health care and housing bonds, which, although nominally issued by municipal authorities, are generally not secured by the taxing power of the municipality but by the revenues of the authority derived from payments by the private entity which owns or operates the facility financed with the proceeds of the bonds. Obligations of housing finance authorities have a wide range of security features, including reserve funds and insured or subsidized mortgages, as well as the net revenues from housing or other public projects. Many of these bonds do not generally constitute the pledge of the credit of the issuer of such bonds. The credit quality of such revenue bonds is usually directly related to the credit standing of the user of the facility being financed or of an institution which provides a guarantee, letter of credit or other credit enhancement for the bond issue.

**Insured municipal bonds —** The fund may invest in municipal bonds that are insured generally as to the timely payment of interest and repayment of principal. The insurance for such bonds may be purchased by the bond issuer, the fund or any other party, and is usually purchased from private, non-governmental insurance companies. Insurance that covers a municipal bond is expected to protect the fund against losses caused by a bond issuer's failure to make interest or principal payments. However, insurance does not guarantee the market value of the bond or the prices of the fund's shares. Also, the investment adviser cannot be certain that the insurance company will make payments it guarantees. The market value of the bond could drop if a bond's insurer fails to fulfill its obligations. Market conditions or changes to ratings criteria could adversely impact the ratings of municipal bond insurers. When rating agencies lower or withdraw the credit rating of the insurer, the insurance may be providing little or no enhancement of credit or resale value to the municipal bond.

**Real estate investment trusts —** Real estate investment trusts ("REITs"), which primarily invest in real estate or real estate-related loans, may issue equity or debt securities. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. The values of REITs may be affected by changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws and regulatory requirements, such as those relating to the environment. Both types of REITs are dependent upon management skill and the cash flows generated by their holdings, the real estate market in general and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

**Variable and floating rate obligations —** The interest rates payable on certain securities and other instruments in which certain of the funds may invest may not be fixed but may fluctuate based upon changes in market interest rates or credit ratings. Variable and floating rate obligations bear coupon rates that are adjusted at designated intervals, based on the then current market interest rates or credit ratings. The rate adjustment features tend to limit the extent to which the market value of the obligations will fluctuate. 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.

**Cash and cash equivalents —** The fund may hold cash or invest in cash equivalents. Cash equivalents include, but are not limited to: (*a*) shares of money market or similar funds managed by the investment adviser or its affiliates; (*b*) shares of other money market funds; (*c*) commercial paper; (*d*) short-term bank obligations (for example, certificates of deposit, bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity)) or bank notes; (*e*) savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations); (*f*) securities of the U.S. government, its agencies or instrumentalities that mature, or that may be redeemed, in one year or less; and (*g*) higher quality corporate bonds and notes that mature, or that may be redeemed, in one year or less.

**Commercial paper —** The fund may purchase commercial paper. Commercial paper refers to short-term promissory notes issued by a corporation to finance its current operations. Such securities

normally have maturities of thirteen months or less and, though commercial paper is often unsecured, commercial paper may be supported by letters of credit, surety bonds or other forms of collateral. Maturing commercial paper issuances 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. Like all fixed income securities, commercial paper prices are susceptible to fluctuations in interest rates. If interest rates rise, commercial paper prices will decline and vice versa. 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 tends to yield smaller returns than longer-term corporate debt because securities with shorter maturities typically have lower effective yields than those with longer maturities. As with all fixed income securities, there is a chance that the issuer will default on its commercial paper obligations and commercial paper may become illiquid or suffer from reduced liquidity in these or other situations.

Commercial paper in which the fund may invest includes commercial paper issued in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the “1933 Act”). Section 4(a)(2) commercial paper has substantially the same price and liquidity characteristics as commercial paper generally, except that the resale of Section 4(a)(2) commercial paper is limited to institutional investors who agree that they are purchasing the paper for investment purposes and not with a view to public distribution. Technically, such a restriction on resale renders Section 4(a)(2) commercial paper a restricted security under the 1933 Act. In practice, however, Section 4(a)(2) commercial paper typically can be resold as easily as any other unrestricted security held by the fund. Accordingly, Section 4(a)(2) commercial paper has been generally determined to be liquid under procedures adopted by the fund’s board of trustees.

**Restricted or illiquid securities —** Certain funds may purchase securities subject to restrictions on resale. Restricted securities may only be sold pursuant to an exemption from registration under the Securities Act of 1933, as amended (the “1933 Act”), or in a registered public offering. Restricted securities held by the fund are often eligible for resale under Rule 144A, an exemption under the 1933 Act allowing for resales to “Qualified Institutional Buyers.” Where registration is required, the holder of a registered security may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it may be permitted to sell a security under an effective registration statement. Difficulty in selling such securities may result in a loss to the fund or cause it to incur additional administrative costs.

Some fund holdings (including some restricted securities) may be deemed illiquid if the fund expects that a reasonable portion of the holding cannot be sold in seven calendar days or less without the sale significantly changing the market value of the investment. The determination of whether a holding is considered illiquid is made by the Series’ adviser under a liquidity risk management program adopted by the Series’ board and administered by the Series’ adviser. The fund may incur significant additional costs in disposing of illiquid securities.

**Loan assignments and participations —** Certain funds may invest in loans or other forms of indebtedness that represent interests in amounts owed by corporations or other borrowers (collectively "borrowers"). Loans may be originated by the borrower in order to address its working capital needs, as a result of a reorganization of the borrower’s assets and liabilities (recapitalizations), to merge with or acquire another company (mergers and acquisitions), to take control of another company (leveraged buy-outs), to provide temporary financing (bridge loans), or for other corporate purposes.

Some loans may be secured in whole or in part by assets or other collateral. The greater the value of the assets securing the loan the more the lender is protected against loss in the case of nonpayment of

principal or interest. Loans made to highly leveraged borrowers may be especially vulnerable to adverse changes in economic or market conditions and may involve a greater risk of default.

Some loans may represent revolving credit facilities or delayed funding loans, in which a lender agrees to make loans up to a maximum amount upon demand by the borrower during a specified term. These commitments may have the effect of requiring the fund to increase its investment in a company at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid).

Some loans may represent debtor-in-possession financings (commonly known as "DIP financings"). DIP financings are arranged when an entity seeks the protections of the bankruptcy court under Chapter 11 of the U.S. Bankruptcy Code. These financings allow the entity to continue its business operations while reorganizing under Chapter 11. Such financings constitute senior liens on unencumbered collateral (i.e., collateral not subject to other creditors' claims). There is a risk that the entity will not emerge from Chapter 11 and will be forced to liquidate its assets under Chapter 7 of the U.S. Bankruptcy Code. In the event of liquidation, the fund's only recourse will be against the collateral securing the DIP financing.

The investment adviser generally makes investment decisions based on publicly available information, but may rely on non-public information if necessary. Borrowers may offer to provide lenders with material, non-public information regarding a specific loan or the borrower in general. The investment adviser generally chooses not to receive this information. As a result, the investment adviser may be at a disadvantage compared to other investors that may receive such information. The investment adviser's decision not to receive material, non-public information may impact the investment adviser's ability to assess a borrower's requests for amendments or waivers of provisions in the loan agreement. However, the investment adviser may on a case-by-case basis decide to receive such information when it deems prudent. In these situations the investment adviser may be restricted from trading the loan or buying or selling other debt and equity securities of the borrower while it is in possession of such material, non-public information, even if such loan or other security is declining in value.

The fund normally acquires loan obligations through an assignment from another lender, but also may acquire loan obligations by purchasing participation interests from lenders or other holders of the interests. When the fund purchases assignments, it acquires direct contractual rights against the borrower on the loan. The fund acquires the right to receive principal and interest payments directly from the borrower and to enforce their rights as a lender directly against the borrower. However, because assignments are arranged through private negotiations between potential assignees and potential assignors, the rights and obligations acquired by the fund as the purchaser of an assignment may differ from, and be more limited than, those held by the assigning lender. Loan assignments are often administered by a financial institution that acts as agent for the holders of the loan, and the fund may be required to receive approval from the agent and/or borrower prior to the purchase of a loan. Risks may also arise due to the inability of the agent to meet its obligations under the loan agreement.

Loan participations are loans or other direct debt instruments that are interests in amounts owed by the borrower to another party. They may represent amounts owed to lenders or lending syndicates, to suppliers of goods or services, or to other parties. The fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing participations, the fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower. In addition, the fund may not directly benefit from any collateral supporting the loan in which it has purchased the participation and the fund will have to rely on the agent bank or other financial intermediary to apply appropriate credit remedies. As a result, the fund will be subject to the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of

the lender selling a participation, the fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

Loan assignments and participations are generally subject to legal or contractual restrictions on resale and are not currently listed on any securities exchange or automatic quotation system. Risks may arise due to delayed settlements of loan assignments and participations. The investment adviser expects that most loan assignments and participations purchased for the fund will trade on a secondary market. However, although secondary markets for investments in loans are growing among institutional investors, a limited number of investors may be interested in a specific loan. It is possible that loan participations, in particular, could be sold only to a limited number of institutional investors. If there is no active secondary market for a particular loan, it may be difficult for the investment adviser to sell the fund's interest in such loan at a price that is acceptable to it and to obtain pricing information on such loan.

Investments in loan participations and assignments present the possibility that the fund could be held liable as a co-lender under emerging legal theories of lender liability. In addition, if the loan is foreclosed, the fund could be part owner of any collateral and could bear the costs and liabilities of owning and disposing of the collateral. The fund anticipates that loan participations could be sold only to a limited number of institutional investors. In addition, some loan participations and assignments may not be rated by major rating agencies and may not be protected by securities laws.

**Unfunded commitment agreements —** The fund may enter into unfunded commitment agreements to make certain investments, including unsettled bank loan purchase transactions. Under the SEC's rule applicable to the fund's use of derivatives, unfunded commitment agreements are not derivatives transactions. The fund will only enter into such unfunded commitment agreements if the fund reasonably believes, at the time it enters into such agreement, that it will have sufficient cash and cash equivalents to meet its obligations with respect to all of its unfunded commitment agreements as they come due.

**Inverse floating rate notes —** Certain funds may invest in inverse floating rate notes (a type of derivative instrument). These notes have rates that move in the opposite direction of prevailing interest rates. A change in prevailing interest rates will often result in a greater change in these instruments' interest rates. As a result, these instruments may have a greater degree of volatility than other types of interest-bearing securities.

**Reinsurance related notes and bonds —** American High-Income Trust may invest in reinsurance related notes and bonds. These instruments, which are typically issued by special purpose reinsurance companies, transfer an element of insurance risk to the note or bond holders. For example, such a note or bond could provide that the reinsurance company would not be required to repay all or a portion of the principal value of the note or bond if losses due to a catastrophic event under the policy (such as a major hurricane) exceed certain dollar thresholds. Consequently, the fund may lose the entire amount of its investment in such bonds or notes if such an event occurs and losses exceed certain dollar thresholds. In this instance, investors would have no recourse against the insurance company. These instruments may be issued with fixed or variable interest rates and rated in a variety of credit quality categories by the rating agencies.

**Repurchase agreements —** Certain funds may enter into repurchase agreements, or "repos", under which the fund buys a security and obtains a simultaneous commitment from the seller to repurchase the security at a specified time and price. Because the security purchased constitutes collateral for the repurchase obligation, a repo may be considered a loan by the fund that is collateralized by the security purchased. Repos permit the fund to maintain liquidity and earn income over periods of time as short as overnight.

The seller must maintain with a custodian collateral equal to at least the repurchase price, including accrued interest. In tri-party repos and centrally cleared or "sponsored" repos, a third-party custodian, either a clearing bank in the case of tri-party repos or a central clearing counterparty in the case of centrally cleared repos, facilitates repo clearing and settlement, including by providing collateral management services. In bilateral repos, the parties themselves are responsible for settling transactions.

The fund will only enter into repos involving securities of the type (excluding any maturity limitations) in which they could otherwise invest. If the seller under the repo defaults, the fund may incur a loss if the value of the collateral securing the repo has declined and may incur disposition costs and delays in connection with liquidating the collateral. If bankruptcy proceedings are commenced with respect to the seller, realization of the collateral by the fund may be delayed or limited.

**Maturity —** There are no restrictions on the maturity compositions of the portfolios of certain funds. Certain funds invest in debt securities with a wide range of maturities. Under normal market conditions, longer term securities yield more than shorter term securities, but are subject to greater price fluctuations.

**Adjustment of maturities —** The investment adviser seeks to anticipate movements in interest rates and may adjust the maturity distribution of the portfolio accordingly, keeping in mind the fund's objective(s).

**Derivatives —** In pursuing its investment objective(s), the fund may invest in derivative instruments. A derivative is a financial instrument, the value of which depends on, or is otherwise derived from, another underlying variable. Most often, the variable underlying a derivative is the price of a traded asset, such as a traditional cash security (e.g., a stock or bond), a currency or a commodity; however, the value of a derivative can be dependent on almost any variable, from the level of an index or a specified rate to the occurrence (or non-occurrence) of a credit event with respect to a specified reference asset. In addition to investing in forward currency contracts and currency options, as described under "Currency transactions," the fund may take positions in futures contracts and options on futures contracts and swaps, each of which is a derivative instrument described in greater detail below.

Derivative instruments may be distinguished by the manner in which they trade: some are standardized instruments that trade on an organized exchange while others are individually negotiated and traded in the over-the-counter ("OTC") market. Derivatives also range broadly in complexity, from simple derivatives to more complex instruments. As a general matter, however, all derivatives — regardless of the manner in which they trade or their relative complexities — entail certain risks, some of which are different from, and potentially greater than, the risks associated with investing directly in traditional cash securities.

As is the case with traditional cash securities, derivative instruments are generally subject to counterparty credit risk; however, in some cases, derivatives may pose counterparty risks greater than those posed by cash securities. The use of derivatives involves the risk that a loss may be sustained by the fund as a result of the failure of the fund's counterparty to make required payments or otherwise to comply with its contractual obligations. For some derivatives, though, the value of — and, in effect, the return on — the instrument 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 derivative instrument may result in losses. Further, if a fund's counterparty were to default on its obligations, the fund's contractual remedies against such counterparty may be subject to applicable bankruptcy and insolvency laws, which could affect the fund's rights as a creditor and delay or impede the fund's ability to receive the net amount of payments

that it is contractually entitled to receive. Derivative instruments are subject to additional risks, including operational risk (such as documentation issues, settlement issues and systems failures) and legal risk (such as insufficient documentation, insufficient capacity or authority of a counterparty, and issues with the legality or enforceability of a contract).

The value of some derivative instruments in which the fund invests may be particularly sensitive to changes in prevailing interest rates, currency exchange rates or other market conditions. Like the fund's other investments, the ability of the fund to successfully utilize such derivative instruments may depend in part upon the ability of the fund's investment adviser to accurately forecast market and economic factors (such as interest rates). The success of the fund's derivative investment strategy will also depend on the investment adviser's ability to assess and predict the impact of market or economic developments on the derivative instruments in which the fund invests, in some cases without having had the benefit of observing the performance of a derivative under all possible market conditions. If the investment adviser incorrectly forecasts such factors and has taken positions in derivative instruments contrary to prevailing market trends, or if the investment adviser incorrectly predicts the impact of developments on a derivative instrument, the fund could suffer losses.

Certain derivatives may also be subject to liquidity and valuation risks. The potential lack of a liquid secondary market for a derivative (and, particularly, for an OTC derivative, including swaps and OTC options) may cause difficulty in valuing or selling the instrument. If a derivative transaction is particularly large or if the relevant market is illiquid, as is often the case with many privately-negotiated OTC derivatives, the fund may not be able to initiate a transaction or to liquidate a position at an advantageous time or price. Particularly when there is no liquid secondary market for the fund's derivative positions, the fund may encounter difficulty in valuing such illiquid positions. The value of a derivative instrument does not always correlate perfectly with its underlying asset, rate or index, and many derivatives, and OTC derivatives in particular, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the fund.

Because certain derivative instruments may obligate the fund to make one or more potential future payments, which could significantly exceed the value of the fund's initial investments in such instruments, derivative instruments may also have a leveraging effect on the fund's portfolio. Certain derivatives have the potential for unlimited loss, irrespective of the size of the fund's investment in the instrument. When a fund leverages its portfolio, investments in that fund will tend to be more volatile, resulting in larger gains or losses in response to market changes.

The fund's compliance with the SEC's rule applicable to the fund's use of derivatives may limit the ability of the fund to use derivatives as part of its investment strategy. The rule requires that a fund that uses derivatives in more than a limited manner, which is currently the case for the fund, adopt a derivatives risk management program, appoint a derivatives risk manager and comply with an outer limit on leverage based on value at risk, or "VaR". VaR is an estimate of an instrument's or portfolio's potential losses over a given time horizon (i.e., 20 trading days) and at a specified confidence level (i.e., 99%). VaR will not provide, and is not intended to provide, an estimate of an instrument's or portfolio's maximum potential loss amount. For example, a VaR of 5% with a specified confidence level of 99% would mean that a VaR model estimates that 99% of the time a fund would not be expected to lose more than 5% of its total assets over the given time period. However, 1% of the time, the fund would be expected to lose more than 5% of its total assets, and in such a scenario the VaR model does not provide an estimate of the extent of this potential loss. The derivatives rule may not be effective in limiting the fund's risk of loss, as measurements of VaR rely on historical data and may not accurately measure the degree of risk reflected in the fund's derivatives or other investments. A fund is generally required to satisfy the rule's outer limit on leverage by limiting the fund's VaR to 200% of the VaR of a designated reference portfolio that does not utilize derivatives each business day. If a fund does not have an appropriate designated reference portfolio in light of the fund's investments, investment

objectives and strategy, a fund must satisfy the rule's outer limit on leverage by limiting the fund's VaR to 20% of the value of the fund's net assets each business day.

**Options** — The fund may invest in option contracts, including options on futures and options on currencies, as described in more detail under "Futures and Options on Futures" and "Currency Transactions," respectively. An option contract is a contract that gives the holder of the option, in return for a premium payment, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the reference instrument underlying the option (or the cash value of the instrument underlying the option) at a specified exercise price. The writer of an option on a security has the obligation, upon exercise of the option, to cash settle or deliver the underlying currency or instrument upon payment of the exercise price (in the case of a call) or to cash settle or take delivery of the underlying currency or instrument and pay the exercise price (in the case of a put).

By purchasing a put option, the fund obtains the right (but not the obligation) to sell the currency or instrument underlying the option (or to deliver the cash value of the instrument underlying the option) at a specified exercise price, which is also referred to as the strike price. In return for this right, the fund pays the current market price, or the option premium, for the option. The fund may terminate its position in a put option by allowing the option to expire or by exercising the option. If the option is allowed to expire, the fund will lose the entire amount of the option premium paid. If the option is exercised, the fund completes the sale of the underlying instrument (or cash settles) at the strike price. The fund may also terminate a put option position by entering into opposing close-out transactions in advance of the option expiration date.

As a buyer of a put option, the fund can expect to realize a gain if the price of the underlying currency or instrument falls substantially. However, if the price of the underlying currency or instrument does not fall enough to offset the cost of purchasing the option, the fund can expect to suffer a loss, albeit a loss limited to the amount of the option premium plus any applicable transaction costs.

The features of call options are essentially the same as those of put options, except that the purchaser of a call option obtains the right (but not the obligation) to purchase, rather than sell, the underlying currency or instrument (or cash settle) at the specified strike price. The buyer of a call option typically attempts to participate in potential price increases of the underlying currency or instrument with risk limited to the cost of the option if the price of the underlying currency or instrument falls. At the same time, the call option buyer can expect to suffer a loss if the price of the underlying currency or instrument does not rise sufficiently to offset the cost of the option.

The writer of a put or call option takes the opposite side of the transaction from the option purchaser. In return for receipt of the option premium, the writer assumes the obligation to pay or receive the strike price for the option's underlying currency or instrument if the other party to the option chooses to exercise it. The writer may seek to terminate a position in a put option before exercise by entering into opposing close-out transactions in advance of the option expiration date. If the market for the relevant put option is not liquid, however, the writer must be prepared to pay the strike price while the option is outstanding, regardless of price changes.

If the price of the underlying currency or instrument rises, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If the price of the underlying currency or instrument remains the same over time, it is likely that the writer would also profit because it should be able to close out the option at a lower price. This

is because an option's value decreases with time as the currency or instrument approaches its expiration date. If the price of the underlying currency or instrument falls, the put writer would expect to suffer a loss. This loss should be less than the loss from purchasing the underlying currency or instrument directly, however, because the premium received for writing the option should mitigate the effects of the decline.

Writing a call option obligates the writer to, upon exercise of the option, deliver the option's underlying currency or instrument in return for the strike price or to make a net cash settlement payment, as applicable. The characteristics of writing call options are similar to those of writing put options, except that writing call options is generally a profitable strategy if prices remain the same or fall. The potential gain for the option seller in such a transaction would be capped at the premium received.

Several risks are associated with transactions in options on currencies, securities and other instruments (referred to as the "underlying instruments"). For example, there may be significant differences between the underlying instruments and options markets that could result in an imperfect correlation between these markets, which could cause a given transaction not to achieve its objectives. When a put or call option on a particular underlying instrument is purchased to hedge against price movements in a related underlying instrument, for example, the price to close out the put or call option may move more or less than the price of the related underlying instrument.

Options prices can diverge from the prices of their underlying instruments for a number of reasons. Options prices are affected by such factors as current and anticipated short-term interest rates, changes in the volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect security prices in the same way. Imperfect correlation may also result from differing levels of demand in the options markets and the markets for the underlying instruments, from structural differences in how options and underlying instruments are traded, or from imposition of daily price fluctuation limits or trading halts. The fund may purchase or sell options contracts with a greater or lesser value than the underlying instruments it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the underlying instruments, although this may not be successful. If price changes in the fund's options positions are less correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

There is no assurance that a liquid market will exist for any particular options contract at any particular time. Options may have relatively low trading volumes and liquidity if their strike prices are not close to the current prices of the underlying instruments. In addition, exchanges may establish daily price fluctuation limits for exchange-traded options contracts and may halt trading if a contract's price moves upward or downward more than the limit in a given day. On volatile trading days when the price fluctuation limit is reached or a trading halt is imposed, it may be impossible to enter into new positions or to close out existing positions. If the market for a contract is not liquid because of price fluctuation limits or otherwise, it could prevent prompt liquidation of unfavorable positions and could potentially require the fund to hold a position until delivery or expiration regardless of changes in its value.

Combined positions involve purchasing and writing options in combination with each other, or in combination with futures or forward contracts, in order to adjust the risk and return profile of the fund's overall position. For example, purchasing a put option and writing a call option on the same underlying instrument could construct a combined position with risk and return characteristics similar to selling a futures contract (but with leverage embedded). Another possible combined position would involve writing a call option at one strike price and buying a call option at a lower strike price to reduce the risk of the written call option in the event of a

substantial price increase. Because such combined options positions involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

**Futures and options on futures** — The fund may enter into futures contracts and options on futures contracts to seek to manage the fund's interest rate sensitivity by increasing or decreasing the duration of the fund or a portion of the fund's portfolio. A futures contract is an agreement to buy or sell a security or other financial instrument (the "reference asset") for a set price on a future date. An option on a futures contract gives the holder of the option the right to buy or sell a position in a futures contract from or to the writer of the option, at a specified price on or before the specified expiration date. Futures contracts and options on futures contracts are standardized, exchange-traded contracts, and, when such contracts are bought or sold, the fund will incur brokerage fees and will be required to maintain margin deposits.

Unlike when the fund purchases or sells a security, such as a stock or bond, no price is paid or received by the fund upon the purchase or sale of a futures contract. When the fund enters into a futures contract, the fund is required to deposit with its futures broker, known as a futures commission merchant ("FCM"), a specified amount of liquid assets in a segregated account in the name of the FCM at the applicable derivatives clearinghouse or exchange. This amount, known as initial margin, is set by the futures exchange on which the contract is traded and may be significantly modified during the term of the contract. The initial margin is in the nature of a performance bond or good faith deposit on the futures contract, which is returned to the fund upon termination of the contract, assuming all contractual obligations have been satisfied. Additionally, on a daily basis, the fund pays or receives cash, or variation margin, equal to the daily change in value of the futures contract. Variation margin does not represent a borrowing or loan by the fund but is instead a settlement between the fund and the FCM of the amount one party would owe the other if the futures contract expired. In computing daily net asset value, the fund will mark-to-market its open futures positions. A fund is also required to deposit and maintain margin with an FCM with respect to put and call options on futures contracts written by the fund. Such margin deposits will vary depending on the nature of the underlying futures contract (and related initial margin requirements), the current market value of the option, and other futures positions held by the fund. In the event of the bankruptcy or insolvency of an FCM that holds margin on behalf of the fund, the fund may be entitled to return of margin owed to it only in proportion to the amount received by the FCM's other customers, potentially resulting in losses to the fund. An event of bankruptcy or insolvency at a clearinghouse or exchange holding initial margin could also result in losses for the fund.

When the fund invests in futures contracts and options on futures contracts and deposits margin with an FCM, the fund becomes subject to so-called "fellow customer" risk – that is, the risk that one or more customers of the FCM will default on their obligations and that the resulting losses will be so great that the FCM will default on its obligations and margin posted by one customer, such as the fund, will be used to cover a loss caused by a different defaulting customer. Applicable Commodity Futures Trading Commission ("CFTC") rules generally prohibit the use of one customer's funds to meet the obligations of another customer and limit the ability of an FCM to use margin posed by non-defaulting customers to satisfy losses caused by defaulting customers. As a general matter, an FCM is required to use its own funds to meet a defaulting customer's obligations. While a customer's loss would likely need to be substantial before non-defaulting customers would be exposed to loss on account of fellow customer risk, applicable CFTC rules nevertheless permit the commingling of margin and do not limit the mutualization of customer losses from investment losses, custodial failures, fraud or other causes. If the loss is so great that, notwithstanding the application of an FCM's own funds, there is a shortfall in the amount of customer funds required to be held in segregation, the FCM could default and be placed into bankruptcy. Under these circumstances, bankruptcy law provides that non-defaulting customers will share pro rata in any shortfall. A shortfall in

customer segregated funds may also make the transfer of the accounts of non-defaulting customers to another FCM more difficult.

Although certain futures contracts, by their terms, require actual future delivery of and payment for the reference asset, in practice, most futures contracts are usually closed out before the delivery date by offsetting purchases or sales of matching futures contracts. Closing out an open futures contract purchase or sale is effected by entering into an offsetting futures contract sale or purchase, respectively, for the same aggregate amount of the identical reference asset and the same delivery date. If the offsetting purchase price is less than the original sale price (in each case taking into account transaction costs, including brokerage fees), the fund realizes a gain; if it is more, the fund realizes a loss. Conversely, if the offsetting sale price is more than the original purchase price (in each case taking into account transaction costs, including brokerage fees), the fund realizes a gain; if it is less, the fund realizes a loss.

The fund may purchase and write call and put options on futures. A futures option gives the holder the right, in return for the premium paid, to assume a long position (call) or short position (put) in a futures contract at a specified exercise price at any time during the period of the option. Upon exercise of a call option, the holder acquires a long position in the futures contract, and the writer is assigned the opposite short position. The opposite is true in the case of a put option. A call option is “in the money” if the value of the futures contract that is the subject of the option exceeds the exercise price. A put option is “in the money” if the exercise price exceeds the value of the futures contract that is the subject of the option. See also “Options” above for a general description of investment techniques and risks relating to options.

The value of a futures contract tends to increase and decrease in tandem with the value of its underlying reference asset. Purchasing futures contracts will, therefore, tend to increase the fund’s exposure to positive and negative price fluctuations in the reference asset, much as if the fund had purchased the reference asset directly. When the fund sells a futures contract, by contrast, the value of its futures position will tend to move in a direction contrary to the market for the reference asset. Accordingly, selling futures contracts will tend to offset both positive and negative market price changes, much as if the reference asset had been sold.

There is no assurance that a liquid market will exist for any particular futures or futures options contract at any particular time. Futures exchanges may establish daily price fluctuation limits for futures contracts and may halt trading if a contract’s price moves upward or downward more than the limit in a given day. On volatile trading days, when the price fluctuation limit is reached and a trading halt is imposed, it may be impossible to enter into new positions or close out existing positions. If the market for a futures contract is not liquid because of price fluctuation limits or other market conditions, the fund may be prevented from promptly liquidating unfavorable futures positions and the fund could be required to continue to hold a position until delivery or expiration regardless of changes in its value, potentially subjecting the fund to substantial losses. Additionally, the fund may not be able to take other actions or enter into other transactions to limit or reduce its exposure to the position. Under such circumstances, the fund would remain obligated to meet margin requirements until the position is cleared. As a result, the fund’s access to other assets posted as margin for its futures positions could also be impaired.

Although futures exchanges generally operate similarly in the United States and abroad, foreign futures exchanges may follow trading, settlement and margin procedures that are different than those followed by futures exchanges in the United States. Futures and futures options contracts traded outside the United States may not involve a clearing mechanism or related guarantees and may involve greater risk of loss than U.S.-traded contracts, including potentially greater risk of losses due to insolvency of a futures broker, exchange member, or

other party that may owe initial or variation margin to the fund. Margin requirements on foreign futures exchanges may be different than those of futures exchanges in the United States, and, because initial and variation margin payments may be measured in foreign currency, a futures or futures options contract traded outside the United States may also involve the risk of foreign currency fluctuations.

**Swaps —** The fund may enter into swaps, which are two-party contracts entered into primarily by institutional investors for a specified time period. In a typical swap, two parties agree to exchange the returns earned or realized from one or more underlying assets or rates of return.

Swaps can be traded on a swap execution facility ("SEF") and cleared through a central clearinghouse (cleared), traded OTC and cleared, or traded bilaterally and not cleared. For example, standardized interest rate swaps and standardized credit default swap indices are traded on SEFs and cleared. Other forms of swaps, such as total return swaps and certain types of interest rate swaps and credit default swap indices are entered into on a bilateral basis. Because clearing interposes a central clearinghouse as the ultimate counterparty to each participant's swap, and margin is required to be exchanged under the rules of the clearinghouse, central clearing is intended to decrease (but not eliminate) counterparty risk relative to uncleared bilateral swaps. To the extent the fund enters into bilaterally negotiated swaps, the fund will enter into swaps only with counterparties that meet certain credit standards and have agreed to specific collateralization procedures; however, if the counterparty's creditworthiness deteriorates rapidly and the counterparty defaults on its obligations under the swap or declares bankruptcy, the fund may lose any amount it expected to receive from the counterparty. In addition, bilateral swaps are subject to certain regulatory margin requirements that mandate the posting and collection of minimum margin amounts, which may result in the fund and its counterparties posting higher margin amounts for bilateral swaps than would otherwise be the case.

The term of a swap can be days, months or years and certain swaps may be less liquid than others. If a swap is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price, which may result in significant losses.

Swaps can take different forms. The fund may enter into the following types of swaps:

**Interest rate swaps —** The fund may enter into interest rate swaps to seek to manage the interest rate sensitivity of the fund by increasing or decreasing the duration of the fund or a portion of the fund's portfolio. An interest rate swap is an agreement between two parties to exchange or swap payments based on changes in an interest rate or rates. Typically, one interest rate is fixed and the other is variable based on a designated short-term interest rate such as the Secured Overnight Financing Rate ("SOFR"), prime rate or other benchmark, or on an inflation index such as the U.S. Consumer Price Index (which is a measure that examines the weighted average of prices of a basket of consumer goods and services and measures changes in the purchasing power of the U.S. dollar and the rate of inflation). In other types of interest rate swaps, known as basis swaps, the parties agree to swap variable interest rates based on different designated short-term interest rates. Interest rate swaps generally do not involve the delivery of securities or other principal amounts. Rather, cash payments are exchanged by the parties based on the application of the designated interest rates to a notional amount, which is the predetermined dollar principal of the trade upon which payment obligations are computed. Accordingly, the fund's current obligation or right under the swap is generally equal to the net amount to be paid or received under the swap based on the relative value of the position held by each party.

In addition to the risks of entering into swaps discussed above, the use of interest rate swaps involves the risk of losses if interest rates change.

**Total return swaps —** The fund may enter into total return swaps in order to gain exposure to a market or security without owning or taking physical custody of such security or investing directly in such market. A total return swap is an agreement in which one party agrees to make periodic payments to the other party based on the change in market value of the assets underlying the contract during the specified term in exchange for periodic payments based on a fixed or variable interest rate or the total return from other underlying assets. The asset underlying the contract may be a single security, a basket of securities or a securities index. Like other swaps, the use of total return swaps involves certain risks, including potential losses if a counterparty defaults on its payment obligations to the fund or the underlying assets do not perform as anticipated. There is no guarantee that entering into a total return swap will deliver returns in excess of the interest costs involved and, accordingly, the fund's performance may be lower than would have been achieved by investing directly in the underlying assets.

**Credit default swap indices —** In order to assume exposure to a diversified portfolio of credits or to hedge against existing credit risks, the fund may invest in credit default swap indices, including CDX and iTraxx indices (collectively referred to as "CDSIs"). Additionally, in order to assume exposure to the commercial mortgage-backed security sector or to hedge against existing credit and market risks within such sector, the fund may invest in mortgage-backed security credit default swap indices, including the CMBX index (collectively referred to as "CMBXIs").

A CDSI is based on a portfolio of credit default swaps with similar characteristics, such as credit default swaps on high-yield bonds. A CMBXI is a tradeable index referencing a basket of commercial mortgage-backed securities. In a typical CDSI or CMBXI 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. If a credit event, such as a default or restructuring, occurs with respect to any of the underlying reference obligations, the protection seller must pay the protection buyer the loss on those credits. Also, if a restructuring credit event occurs in an iTraxx index, the fund as protection buyer may receive a single name credit default swap ("CDS") representing the relevant constituent.

The fund may enter into a CDSI or CMBXI transaction as either protection buyer or protection seller. If the fund is a protection buyer, it would pay the counterparty a periodic stream of payments over the term of the contract and would not recover any of those payments if no credit events were to occur with respect to any of the underlying reference obligations. However, if a credit event did occur, the fund, as a protection buyer, would have the right to deliver the referenced debt obligations or a specified amount of cash, depending on the terms of the applicable agreement, and to receive the par value of such debt obligations from the counterparty protection seller. As a protection seller, the fund would receive fixed payments throughout the term of the contract if no credit events were to occur with respect to any of the underlying reference obligations. If a credit event were to occur, however, the value of any deliverable obligation received by the fund, coupled with the periodic payments previously received by the fund, may be less than the full notional value that the fund, as a protection seller, pays to the counterparty protection buyer, effectively resulting in a loss of value to the fund. Furthermore, as a protection seller, the fund would effectively add leverage to its portfolio because it would have investment exposure to the notional amount of the swap.

The use of CDSI or CMBXI, like all other swaps, is subject to certain risks, including the risk that the fund's counterparty will default on its obligations. If such a default were to occur, any contractual remedies that the fund might have may be subject to applicable bankruptcy laws, which could delay or limit the fund's recovery. Thus, if the fund's counterparty to a CDSI or CMBXI transaction defaults on its obligation to make payments thereunder, the fund may lose such payments altogether or collect only a portion thereof, which collection could involve substantial costs or delays.

Additionally, when the fund invests in a CDSI or CMBXI as a protection seller, the fund will be indirectly exposed to the creditworthiness of issuers of the underlying reference obligations in the index. If the investment adviser to the fund does not correctly evaluate the creditworthiness of issuers of the underlying instruments on which the CDSI or CMBXI is based, the investment could result in losses to the fund.

**Equity-linked notes —** A fund may purchase equity-linked notes to enhance the current income of its portfolio. Equity-linked notes are hybrid instruments that are specially designed to combine the characteristics of one or more reference securities — usually a single stock, a stock index or a basket of stocks — and a related equity derivative, such as a put or call option, in a single note form. For example, an equity-linked note that refers to the stock of an issuer may be the economic equivalent of holding a position in that stock and simultaneously selling a call option on that stock with a strike price greater than the current stock price. The holder of the note would be exposed to decreases in the price of the equity to the same extent as if it held the equity directly. However, if the stock appreciated in value, the noteholder would only benefit from stock price increases up to the strike price (i.e., the point at which the holder of the call option would be expected to exercise its right to buy the underlying stock). Additionally, the terms of an equity-linked note may provide for periodic interest payments to holders at either a fixed or floating rate.

As described in the example above, the return on an equity-linked note is generally tied to the performance of the underlying reference security or securities. In addition to any interest payments made during the term of the note, at maturity, the noteholder usually receives a return of principal based on the capital appreciation of the linked securities. Depending on the terms of the issuance, the maximum principal amount to be repaid on the equity-linked note may be capped. For example, in consideration for greater current income or yield, a noteholder may forego its participation in the capital appreciation of the underlying equity assets above a predetermined price limit. Alternatively, if the linked securities have depreciated in value, or if their price fluctuates outside of a preset range, the noteholder may receive only the principal amount of the note, or may lose the principal invested in the equity-linked note entirely.

The price of an equity-linked note is derived from the value of the underlying linked securities. The level and type of risk involved in the purchase of an equity-linked note by the fund is similar to the risk involved in the purchase of the underlying linked securities. However, the value of an equity-linked note is also dependent on the individual credit of the issuer of the note, which, in the case of an unsecured note, will generally be a major financial institution, and, in the case of a collateralized note, will generally be a trust or other special purpose vehicle or finance subsidiary established by a major financial institution for the limited purpose of issuing the note. An investment in an equity-linked note bears the risk that the issuer of the note will default or become bankrupt. In such an event, the fund may have difficulty being repaid, or may fail to be repaid, the principal amount of, or income from, its investment. Like other structured products, equity-linked notes are frequently secured by collateral consisting of a combination of debt or related equity securities to which payments under the notes are linked. If so secured, the fund would look to this underlying collateral for satisfaction of claims in the event that the issuer of an equity-linked note defaulted under the terms of the note. However, depending on the law of the jurisdictions in which an issuer is organized and in which the note is issued, in the event of default, the fund may incur substantial expenses in seeking recovery under an equity-linked note, and may have limited legal recourse in attempting to do so.

Equity-linked notes are often privately placed and may not be rated, in which case the fund will be more dependent than would otherwise be the case on the ability of the investment adviser to evaluate the creditworthiness of the issuer, the underlying security, any collateral features of the note, and the potential for loss due to market and other factors. Ratings of issuers of equity-linked notes refer only to the creditworthiness of the issuer and strength of related collateral arrangements or other credit supports, and do not take into account, or attempt to rate, any potential risks of the underlying equity securities. The fund's successful use of equity-linked notes will usually depend on the investment adviser's ability to accurately forecast movements in the prices of the underlying securities. Should the prices of the underlying securities move in an unexpected manner, or should the structure of a note respond to market conditions differently than anticipated, the fund may not achieve the anticipated benefits of the investment in the equity-linked note, and the fund may realize losses, which could be significant and could include the fund's entire principal investment in the note.

Equity-linked notes are generally designed for the over-the-counter institutional investment market, and the secondary market for equity-linked notes may be limited. The lack of a liquid secondary market may have an adverse effect on the ability of the fund to accurately value and/or sell the equity-linked notes in its portfolio.

**Washington Mutual Investors Fund and its investment policies —** Washington Mutual Investors Fund has an Eligible List of securities considered appropriate for a prudent investor seeking opportunities for income and growth of principal consistent with common stock investing. Numerous criteria govern which securities may be included on the fund's Eligible List. Currently, those criteria include, for example: (a) a security shall be listed on the New York Stock Exchange ("NYSE") or meet the financial listing requirements of the NYSE (the applicable listing requirements are set forth in Section 1 of the Listed Company Manual of the NYSE); (b) most companies must have fully earned their dividends in at least four of the past five years (with the exception of certain banking institutions) and paid a dividend in at least eight of the past ten years; (c) issuing companies must meet both initial and ongoing market capitalization requirements; and (d) the ratio of current assets to liabilities for most individual companies must be at least 1.5 to 1, or their bonds must be rated at least investment grade by S&P Global Ratings. The investment adviser generates and maintains the Eligible List and selects the fund's investments exclusively from the securities on the Eligible List.

Although the fund generally invests in U.S. companies, the fund may invest up to 10% of its assets in securities of certain companies domiciled outside the United States. The fund may also hold securities of companies domiciled outside the United States when such companies have merged with or otherwise acquired a company in which the fund held shares at the time of the merger.

It is believed that in applying the above disciplines and procedures, the fund makes available to pension and profit-sharing trustees and other fiduciaries a prudent stock investment and a continuity of investment quality which it has always been the policy of the fund to provide. However, fiduciary investment responsibility and the Prudent Investor Rule, pursuant to which a fiduciary is generally required to invest and manage trust assets as a prudent investor would, involve a mixed question of law and fact which cannot be conclusively determined in advance. Moreover, recent changes to the Prudent Investor Rule in some jurisdictions speak to an allocation of funds among a variety of investments. Therefore, each fiduciary should examine the common stock portfolio of the fund to see that it, along with other investments, meets the requirements of the specific trust.

**U.S. Small and Mid Cap Equity Fund and its non-diversified status —** U.S. Small and Mid Cap Equity Fund is a non-diversified investment company which allows the fund to invest a greater percentage of its assets in any one issuer than a diversified investment company. 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. For the fund to be considered a "diversified" investment company under the Investment Company Act of 1940, as amended, the fund with respect to 75% of its total assets, would be required to limit its investment in

any one issuer (other than the U.S. government) to 5% of the market value of the total assets of the fund or to 10% of the outstanding voting securities of such issuer.

**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, “ransomware” attacks, injection of computer viruses or malicious software code, or the use of vulnerabilities in code to gain unauthorized access to digital information systems, networks or devices that are used directly or indirectly by the fund or its service providers through “hacking” or other means. 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, among other things, cause the fund to lose proprietary information, suffer data corruption or lose operational capacity, or may result in the misappropriation, unauthorized release or other misuse of the fund’s assets or sensitive information (including shareholder personal information or other confidential information), the inability of fund shareholders to transact business, or the destruction of the fund’s physical infrastructure, equipment or operating systems. These, in turn, could cause the fund to violate applicable privacy and other laws and incur or suffer regulatory penalties, reputational damage, additional costs (including 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.

**Inflation/Deflation risk —** The fund may be subject to inflation and deflation risk. Inflation risk is the risk that the present value of assets or income from investments will be less in the future as inflation decreases the value of money. As inflation increases, the present value of the fund‘s assets can decline. Deflation risk is the risk that prices throughout the economy decline over time. Deflation or inflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the fund‘s assets.

**Interfund borrowing and lending —** Pursuant to an exemptive order issued by the U.S. Securities and Exchange Commission, certain funds may lend money to, and borrow money from, other funds advised by Capital Research and Management Company or its affiliates. Such funds will borrow through the program only when the costs are equal to or lower than the costs of bank loans. Such

funds will lend through the program only when the returns are higher than those available from an investment in repurchase agreements. Interfund loans and borrowings normally extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. A fund may have to borrow from a bank at a higher interest rate if an interfund loan is called or not renewed. Any delay in repayment to a lending fund could result in a lost investment opportunity or additional borrowing costs.

**Affiliated investment companies —** Certain funds may purchase shares of certain other investment companies managed by the investment adviser or its affiliates ("Central Funds"). The risks of owning another investment company are similar to the risks of investing directly in the securities in which that investment company invests. Investments in other investment companies could allow a fund to obtain the benefits of a more diversified portfolio than might otherwise be available through direct investments in a particular asset class, and will subject the fund to the risks associated with the particular asset class or asset classes in which an underlying fund invests. However, an investment company may not achieve its investment objective or execute its investment strategy effectively, which may adversely affect the fund's performance. Any investment in another investment company will be consistent with the fund's objective(s) and applicable regulatory limitations. Central Funds do not charge management fees. As a result, the fund does not bear additional management fees when investing in Central Funds, but the fund does bear its proportionate share of Central Fund expenses.

**Securities lending activities** – Certain funds may lend portfolio securities to brokers, dealers or other institutions that provide cash or U.S. Treasury securities as collateral in an amount at least equal to the value of the securities loaned. While portfolio securities are on loan, the fund will continue to receive the equivalent of the interest and the dividends or other distributions paid by the issuer on the securities, as well as a portion of the interest on the investment of the collateral. Additionally, although the fund will not have the right to vote on securities while they are on loan, the fund has a right to consent on corporate actions and a right to recall each loan to vote on proposals, including proposals involving material events affecting securities loaned. The fund has delegated the decision to lend portfolio securities to the investment adviser. The adviser also has the discretion to consent on corporate actions and to recall securities on loan to vote. In the event the adviser deems a corporate action or proxy vote material, as determined by the adviser based on factors relevant to the fund, it will use reasonable efforts to recall the securities and consent to or vote on the matter.

Securities lending involves risks, including the risk that the loaned securities may not be returned in a timely manner or at all, which would interfere with the fund's ability to vote proxies or settle transactions, and/or the risk of a counterparty default. 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. The fund will make loans only to parties deemed by the fund's adviser to be in good standing and when, in the adviser's judgment, the income earned would justify the risks.

Citibank, N.A. ("Citibank") serves as securities lending agent for the funds that may lend portfolio securities. As the securities lending agent, Citibank administers each such fund's securities lending program pursuant to the terms of a securities lending agent agreement entered into between the fund and Citibank. Under the terms of the agreement, Citibank is responsible for making available to approved borrowers securities from the fund's portfolio. Citibank is also responsible for the administration and management of the fund's securities lending program, including the preparation and execution of an agreement with each borrower governing the terms and conditions of any securities loan, ensuring that securities loans are properly coordinated and documented, ensuring that loaned securities are valued daily and that the corresponding required collateral is delivered by the borrowers, arranging for the investment of collateral received from borrowers, and arranging for the return of loaned securities to the fund in accordance with the fund's instructions or at loan termination. As compensation for its services, Citibank receives a portion of the amount earned by the funds for lending securities.

The following table sets forth, for the fund's most recently completed fiscal year, the fund's dollar amount of income and fees and/or other compensation related to its securities lending activities. Net income from securities lending activities may differ from the amount reported in the fund's Form N-CSR, which reflects estimated accruals.

**Global Growth Fund**

| | |
|---|---|
| Gross income from securities lending activities | $515,000 |
| Fees paid to securities lending agent from a revenue split | 4,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 440,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 444,000 |
| Net income from securities lending activities | 71,000 |

**SMALLCAP World Fund**

| | |
|---|---|
| Gross income from securities lending activities | $1,480,000 |
| Fees paid to securities lending agent from a revenue split | 27,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 937,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 964,000 |
| Net income from securities lending activities | 516,000 |

**U.S. Small and Mid Cap Equity Fund**

| | |
|---|---|
| Gross income from securities lending activities | $19,000 |
| Fees paid to securities lending agent from a revenue split | 0 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 13,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 13,000 |
| Net income from securities lending activities | 6,000 |

**Growth Fund**

| | |
|---|---|
| Gross income from securities lending activities | $2,168,000 |
| Fees paid to securities lending agent from a revenue split | 31,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 1,549,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 1,580,000 |
| Net income from securities lending activities | 588,000 |

**EUPAC Fund**

| | |
|---|---|
| Gross income from securities lending activities | $556,000 |
| Fees paid to securities lending agent from a revenue split | 5,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 453,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 458,000 |
| Net income from securities lending activities | 98,000 |

**New World Fund**

| | |
|---|---|
| Gross income from securities lending activities | $286,000 |
| Fees paid to securities lending agent from a revenue split | 3,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 230,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 233,000 |
| Net income from securities lending activities | 53,000 |

**Capital World Growth and Income Fund**

| | |
|---|---|
| Gross income from securities lending activities | $95,000 |
| Fees paid to securities lending agent from a revenue split | 1,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 78,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 79,000 |
| Net income from securities lending activities | 16,000 |

**Growth-Income Fund**

| | |
|---|---|
| Gross income from securities lending activities | $865,000 |
| Fees paid to securities lending agent from a revenue split | 7,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 724,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 731,000 |
| Net income from securities lending activities | 134,000 |

**International Growth and Income Fund**

| | |
|---|---|
| Gross income from securities lending activities | $32,000 |
| Fees paid to securities lending agent from a revenue split | 1,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 22,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 23,000 |
| Net income from securities lending activities | 9,000 |

**Washington Mutual Investors Fund**

| | |
|---|---|
| Gross income from securities lending activities | $766,000 |
| Fees paid to securities lending agent from a revenue split | 8,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 610,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 618,000 |
| Net income from securities lending activities | 148,000 |

**Capital Income Builder**

| | |
|---|---|
| Gross income from securities lending activities | $139,000 |
| Fees paid to securities lending agent from a revenue split | 2,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 97,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 99,000 |
| Net income from securities lending activities | 40,000 |

**Asset Allocation Fund**

| | |
|---|---|
| Gross income from securities lending activities | $2,020,000 |
| Fees paid to securities lending agent from a revenue split | 15,000 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 1,711,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 1,726,000 |
| Net income from securities lending activities | 294,000 |

**American Funds Global Balanced Fund**

| | |
|---|---|
| Gross income from securities lending activities | $14,000 |
| Fees paid to securities lending agent from a revenue split | 0 |
| Fees paid for any cash collateral management service (including fees deducted from a pooled cash collateral reinvestment vehicle) not included in the revenue split | 0 |
| Administrative fees not included in the revenue split | 0 |
| Indemnification fees not included in the revenue split | 0 |
| Rebates (paid to borrower) | 11,000 |
| Other fees not included in the revenue split | 0 |
| Aggregate fees/compensation for securities lending activities | 11,000 |
| Net income from securities lending activities | 3,000 |

* * * * * *

**Portfolio turnover —** Portfolio changes will be made without regard to the length of time particular investments may have been held. Short-term trading profits are not the funds' objective, and changes in their investments are generally accomplished gradually, though short-term transactions may occasionally be made. Higher portfolio turnover may involve correspondingly greater transaction costs in the form of dealer spreads or brokerage commissions. It may also result in the realization of net capital gains, which are taxable when distributed to shareholders, unless the shareholder is exempt from taxation or his or her account is tax-favored.

Fixed income securities are generally traded on a net basis and usually neither brokerage commissions nor transfer taxes are involved. Transaction costs are usually reflected in the spread between the bid and asked price.

A fund's portfolio turnover rate would equal 100% if each security in the fund's portfolio were replaced once per year. The following table sets forth the portfolio turnover rates for each fund for the fiscal years ended December 31, 2025 and 2024, and the portfolio turnover rates excluding mortgage dollar roll transactions for certain funds for the fiscal years ended December 31, 2025 and 2024. See "Forward commitment, when issued and delayed delivery transactions" above for more information on mortgage dollar rolls. Variations in turnover rates are due to changes in trading activity during the period.

| | Fiscal year | Portfolio turnover rate | Portfolio turnover rate (excluding mortgage dollar roll transactions) |
|---|---|---|---|
| Global Growth Fund | 2025<br>2024 | 45%<br>41% | N/A<br>N/A |
| SMALLCAP World Fund | 2025<br>2024 | 51<br>47 | N/A<br>N/A |
| U.S. Small and Mid Cap Equity Fund | 2025<br>2024 [1] | 82<br>4 | N/A<br>N/A |
| Growth Fund | 2025<br>2024 | 27<br>23 | N/A<br>N/A |
| EUPAC Fund | 2025<br>2024 | 63<br>35 | N/A<br>N/A |
| New World Fund | 2025<br>2024 | 49<br>55 | N/A<br>N/A |
| Capital World Growth and Income Fund | 2025<br>2024 | 45<br>34 | N/A<br>N/A |
| Growth-Income Fund | 2025<br>2024 | 27<br>45 | N/A<br>N/A |
| International Growth and Income Fund | 2025<br>2024 | 48<br>39 | N/A<br>N/A |
| Washington Mutual Investors Fund | 2025<br>2024 | 37<br>31 | N/A<br>N/A |
| Capital Income Builder | 2025<br>2024 | 87<br>107 | 72%<br>49 |
| Asset Allocation Fund | 2025<br>2024 | 115<br>129 | 72<br>43 |

| | Fiscal year | Portfolio turnover rate | Portfolio turnover rate (excluding mortgage dollar roll transactions) |
|---|---|---|---|
| American Funds Global Balanced Fund | 2025 | 86% | 57% |
| | 2024 | 141 | 55 |
| American Funds Mortgage Fund | 2025 | 421 | 65 |
| | 2024 | 644 | 52 |
| American High-Income Trust | 2025 | 39 | N/A |
| | 2024 | 45 | N/A |
| Capital World Bond Fund | 2025 | 106 | 59 |
| | 2024 | 269 | 54 |
| The Bond Fund of America | 2025 | 247 | 159 |
| | 2024 | 398 | 102 |
| U.S. Government Securities Fund | 2025 | 253 | 44 |
| | 2024 | 398 | 43 |
| Ultra-Short Bond Fund | 2025 | —[2] | N/A |
| | 2024 | —[2] | N/A |

[1] For the period from November 15, 2024, commencement of operations, through December 31, 2024.

[2] Amount was either less than 1% or there was no turnover.

Corporate Bond Fund has not yet begun investment operations, and therefore has not yet had portfolio turnover.

## Fund policies

All percentage limitations in the following fund policies are considered at the time securities are purchased and are based on a fund's net assets (excluding, for the avoidance of doubt, collateral held in connection with securities lending activities) unless otherwise indicated. None of the following policies involving a maximum percentage of assets will be considered violated unless the excess occurs immediately after, and is caused by, an acquisition by a fund. In managing a fund, a fund's investment adviser may apply more restrictive policies than those listed below.

**Fundamental policies —** The Series has adopted the following policies, which may not be changed without approval by holders of a majority of its outstanding shares. Such majority is currently defined in the Investment Company Act of 1940, as amended (the "1940 Act"), as the vote of the lesser of (*a*) 67% or more of the voting securities present at a shareholder meeting, if the holders of more than 50% of the outstanding voting securities are present in person or by proxy, or (*b*) more than 50% of the outstanding voting securities.

Except where otherwise indicated, the following policies apply to each fund in the Series (please also see "Additional information about fundamental policies" below):

1. Except as permitted by (*i*) the 1940 Act and the rules and regulations thereunder, or other successor law governing the regulation of registered investment companies, or interpretations or modifications thereof by the U.S. Securities and Exchange Commission ("SEC"), SEC staff or other authority of competent jurisdiction, or (*ii*) exemptive or other relief or permission from the SEC, SEC staff or other authority of competent jurisdiction, a fund may not:

a. Borrow money;

b. Issue senior securities;

c. Underwrite the securities of other issuers;

d. Purchase or sell real estate or commodities;

e. Make loans; or

f. Purchase the securities of any issuer if, as a result of such purchase, a fund's investments would be concentrated in any particular industry.

2. The fund may not invest in companies for the purpose of exercising control or management.

3. For Washington Mutual Investors Fund, the fund may not invest more than 5% of net assets in money market instruments, after allowing for sales of portfolio securities and fund shares within 30 days and the accumulation of cash balances representing undistributed net investment income and realized capital gains, in order to maintain a fully invested portfolio.

**Nonfundamental policies —** The following policy may be changed without shareholder approval:

The fund may not acquire securities of open-end investment companies or unit investment trusts registered under the 1940 Act in reliance on Sections 12(d)(1)(F) or 12(d)(1)(G) of the 1940 Act.

**Additional information about fundamental policies** — The information below is not part of the Series' fundamental policies. This information is intended to provide a summary of what is currently required or permitted by the 1940 Act and the rules and regulations thereunder, or by the interpretive guidance thereof by the SEC or SEC staff, for particular fundamental policies of the Series. Information is also provided regarding the fund's current intention with respect to certain investment practices permitted by the 1940 Act.

For purposes of fundamental policy 1a, the fund may borrow money in amounts of up to 33-1/3% of its total assets from banks for any purpose. Additionally, the fund may borrow up to 5% of its total assets from banks or other lenders for temporary purposes (a loan is presumed to be for temporary purposes if it is repaid within 60 days and is not extended or renewed). The percentage limitations in this policy are considered at the time of borrowing and thereafter. See "General information - Credit facility" in this statement of additional information for more information.

For purposes of fundamental policies 1a and 1e, certain funds may borrow money from, or loan money to, other funds managed by Capital Research and Management Company or its affiliates to the extent permitted by applicable law and an exemptive order issued by the SEC.

For purposes of fundamental policy 1b, a senior security does not include any promissory note or evidence of indebtedness if such loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the fund at the time the loan is made (a loan is presumed to be for temporary purposes if it is repaid within 60 days and is not extended or renewed). Further, the fund is permitted to enter into derivatives and certain other transactions, notwithstanding the prohibitions and restrictions on the issuance of senior securities under the 1940 Act, in accordance with current SEC rules and interpretations.

For purposes of fundamental policy 1c, the policy will not apply to the fund to the extent the fund may be deemed an underwriter within the meaning of the 1933 Act in connection with the purchase and sale of fund portfolio securities in the ordinary course of pursuing its investment objective(s) and strategies.

For purposes of fundamental policy 1e, the fund may not lend more than 33-1/3% of its total assets, provided that this limitation shall not apply to the fund's purchase of debt obligations, money market instruments and repurchase agreements.

For purposes of fundamental policy 1f, the fund may not invest more than 25% of its total assets in the securities of issuers in a particular industry. This policy does not apply to investments in securities of the United States government, its agencies or instrumentalities or government sponsored entities or repurchase agreements with respect thereto. For purposes of this policy, with respect to a private activity municipal bond the principal and interest payments of which are derived primarily from the assets and revenues of a non-governmental entity, the fund will look to such non-governmental entity to determine the industry to which the investment should be allocated.

For purposes of fundamental policy 3, money market instruments include one or more money market or similar funds managed by the investment adviser or its affiliates.

## Management of the Series

### Board of trustees and officers

#### Independent trustees[1]

The Series' nominating and governance committee and board select independent trustees with a view toward constituting a board that, as a body, possesses the qualifications, skills, attributes and experience to appropriately oversee the actions of the Series' service providers, decide upon matters of general policy and represent the long-term interests of fund shareholders. In doing so, they consider the qualifications, skills, attributes and experience of the current board members, with a view toward maintaining a board that is diverse in viewpoint, experience, education and skills.

The Series seeks independent trustees who have high ethical standards and the highest levels of integrity and commitment, who have inquiring and independent minds, mature judgment, good communication skills, and other complementary personal qualifications and skills that enable them to function effectively in the context of the Series' board and committee structure and who have the ability and willingness to dedicate sufficient time to effectively fulfill their duties and responsibilities.

Each independent trustee has a significant record of accomplishments in governance, business, not-for-profit organizations, government service, academia, law, accounting or other professions. Although no single list could identify all experience upon which the Series' independent trustees draw in connection with their service, the following table summarizes key experience for each independent trustee. These references to the qualifications, attributes and skills of the trustees are pursuant to the disclosure requirements of the SEC, and shall not be deemed to impose any greater responsibility or liability on any trustee or the board as a whole. Notwithstanding the accomplishments listed below, none of the independent trustees is considered an "expert" within the meaning of the federal securities laws with respect to information in the Series' registration statement.

| Name, year of birth and position with Series (year first elected as a trustee[2]) | Principal occupation(s) during the past five years | Number of portfolios in fund complex overseen by trustee | Other directorships[3] held by trustee during the past five years | Other relevant experience |
|---|---|---|---|---|
| Vanessa C. L. Chang, 1952<br>Trustee (2026) | Former Director, EL & EL Investments (real estate) | 93 | Transocean Ltd. (offshore drilling contractor)<br><br>Former director of Sykes Enterprises (outsourced customer engagement service provider) (until 2021); Edison International/Southern California Edison (until 2025) | · Service as a chief executive officer, insurance-related (claims/dispute resolution) internet company<br><br>· Senior management experience, investment banking<br><br>· Former partner, public accounting firm<br><br>· Corporate board experience<br><br>· Service on advisory and trustee boards for charitable, educational and non-profit organizations<br><br>· Former member of the Governing Council of the Independent Directors Council<br><br>· C.P.A. (inactive) |
| Francisco G. Cigarroa, MD, 1957<br>Trustee (2021) | Professor of Surgery, University of Texas Health San Antonio; Trustee, Ford Foundation; Clayton Research Scholar, Clayton Foundation for Biomedical Research | 114 | None | · Corporate board experience<br><br>· Service on boards of community and nonprofit organizations<br><br>· MD |

| **Name, year of birth and position with Series (year first elected as a trustee[2])** | **Principal occupation(s) during the past five years** | **Number of portfolios in fund complex overseen by trustee** | **Other directorships[3] held by trustee during the past five years** | Other relevant experience |
|---|---|---|---|---|
| Nariman Farvardin, 1956<br>Trustee (2018) | President, Stevens Institute of Technology | 114 | None | · Senior management experience, educational institution<br><br>· Corporate board experience<br><br>· Professor, electrical and computer engineering<br><br>· Service on advisory boards and councils for educational, nonprofit and governmental organizations<br><br>· MS, PhD, electrical engineering |
| Jennifer C. Feikin, 1968<br>Trustee (2022) | Independent corporate board member; previously held positions at Google, AOL, 20th Century Fox and McKinsey & Company | 114 | Hertz Global Holdings, Inc. | · Senior corporate management experience<br><br>· Corporate board experience<br><br>· Business consulting experience<br><br>· Service on advisory and trustee boards for charitable and nonprofit organizations<br><br>· JD |

| **Name, year of birth and position with Series (year first elected as a trustee[2])** | **Principal occupation(s) during the past five years** | **Number of portfolios in fund complex overseen by trustee** | **Other directorships[3] held by trustee during the past five years** | Other relevant experience |
|---|---|---|---|---|
| John G. Freund, MD, 1953<br>Trustee (2026) | Founder and former Managing Director, Skyline Ventures (a venture capital investor in health care companies); Co-Founder of Intuitive Surgical, Inc. (1995 – 2000); Co-Founder and former CEO of Arixa Pharmaceuticals, Inc. (2016 - 2020) | 96 | Collegium Pharmaceutical, Inc.; SI – Bone, Inc.<br><br>Former director of Sutro Biopharma, Inc. (until 2025) | · Experience in investment banking and senior management at multiple venture capital firms, a medical device company and a biopharmaceutical company<br><br>· Corporate board experience<br><br>· MD, MBA |
| Leslie Stone Heisz, 1961<br>Trustee (2022) | Former Managing Director, Lazard (retired, 2010); Director, Kaiser Permanente (California public benefit corporation); former Lecturer, UCLA Anderson School of Management | 114 | Edwards Lifesciences; Ingram Micro Holding Corporation (information technology products and services)<br><br>Former director of Public Storage, Inc. (until 2024) | · Senior corporate management experience, investment banking<br><br>· Business consulting experience<br><br>· Corporate board experience<br><br>· Service on advisory and trustee boards for charitable and nonprofit organizations<br><br>· MBA |

| Name, year of birth and position with Series (year first elected as a trustee[2]) | Principal occupation(s) during the past five years | Number of portfolios in fund complex overseen by trustee | Other directorships[3] held by trustee during the past five years | Other relevant experience |
|---|---|---|---|---|
| Sharon I. Meers, 1965<br>Trustee (2026) | Co-Founder and President, Midi Health, Inc. (a women's telehealth company) | 93 | None | · Service as head of strategic partnerships, ecommerce company<br>· Experience in investment banking and senior management experience in business development, operations and investment management<br>· Service on trustee boards for nonprofit organizations<br>· MA, economics |
| Kenneth M. Simril, 1965<br>Trustee (2026) | President and CEO, SCI Ingredients Holdings, Inc. (food manufacturing); former President and CEO, Fleischmann's Ingredients (2016 – 2022) | 96 | Bunge Limited (agricultural business and food company)<br>Former director of At Home Group Inc. (until 2021) | · Service as operating executive in various private equity-owned companies<br>· Experience in international business affairs, capital markets and risk management<br>· Independent trustee and advisor for city and county public pension plans<br>· MBA, finance, BS, engineering |

| **Name, year of birth and position with Series (year first elected as a trustee[2])** | **Principal occupation(s) during the past five years** | **Number of portfolios in fund complex overseen by trustee** | **Other directorships[3] held by trustee during the past five years** | Other relevant experience |
|---|---|---|---|---|
| Margaret Spellings, 1957<br>Chair of the Board (Independent and Non-Executive) (2010) | President and CEO, Bipartisan Policy Center; former President and CEO, Texas 2036 | 114 | None | · Former U.S. Secretary of Education, U.S. Department of Education<br><br>· Former Assistant to the President for Domestic Policy, The White House<br><br>· Former senior advisor to the Governor of Texas<br><br>· Service on advisory and trustee boards for charitable and nonprofit organizations |
| Christopher E. Stone, 1956<br>Trustee (2026) | Professor of Practice of Public Integrity, University of Oxford, Blavatnik School of Government | 96 | None | · Service on advisory and trustee boards for charitable, international jurisprudence and nonprofit organizations<br><br>· Former professor, practice of criminal justice<br><br>· Former president of a large complex of global philanthropies<br><br>· JD, Mphil, criminology |

| **Name, year of birth and position with Series (year first elected as a trustee[2])** | **Principal occupation(s) during the past five years** | **Number of portfolios in fund complex overseen by trustee** | **Other directorships[3] held by trustee during the past five years** | Other relevant experience |
|---|---|---|---|---|
| Alexandra Trower, 1964<br>Trustee (2018) | Former Executive Vice President, Global Communications and Corporate Officer, The Estée Lauder Companies | 114 | None | · Service on trustee boards for charitable and nonprofit organizations<br><br>· Senior corporate management experience<br><br>· Branding |
| Paul S. Williams, 1959<br>Trustee (2020) | Former Partner/Managing Director, Major, Lindsey & Africa (executive recruiting firm) (2005-2018) | 114 | Public Storage, Inc.<br><br>Former director of Romeo Power, Inc. (manufacturer of batteries for electric vehicles) (until 2022); Compass Minerals, Inc. (producer of salt and specialty fertilizers) (until 2023); Air Transport Services Group, Inc. (aircraft leasing and air cargo transportation) (until 2025) | · Senior corporate management experience<br><br>· Corporate board experience<br><br>· Corporate governance experience<br><br>· Service on trustee boards for charitable and educational nonprofit organizations<br><br>· Securities law expertise<br><br>· JD |

**Interested trustee(s)**[4,5]

Interested trustees have similar qualifications, skills and attributes as the independent trustees. Interested trustees are senior executive officers and/or directors of Capital Research and Management Company or its affiliates. Such management roles with the Series' service providers also permit the interested trustees to make a significant contribution to the Series' board.

| Name, year of birth and position with Series (year first elected as a trustee[2]) | Principal occupation(s) during the past five years and positions held with affiliated entities or the Principal Underwriter of the Series during the past five years | Number of portfolios in fund complex overseen by trustee | Other directorships[3] held by trustee during the past five years |
|---|---|---|---|
| Christopher D. Buchbinder, 1971<br>President and Trustee (2014-2021; 2026) | Partner – Capital Research Global Investors, Capital Research and Management Company | 77 | None |
| William L. Robbins, 1968<br>Trustee (2026) | Partner – Capital International Investors, Capital Research and Management Company; Chair and Director, Capital Group International, Inc.* | 77 | None |

**Other officers**[5]

| Name, year of birth and position with Series (year first elected as an officer[2]) | Principal occupation(s) during the past five years and positions held with affiliated entities or the Principal Underwriter of the Series |
|---|---|
| Michael W. Stockton, 1967<br>Principal Executive Officer and Executive Vice President (2021) | Senior Vice President – Legal and Compliance Group, Capital Research and Management Company |
| Courtney R. Taylor, 1975<br>Secretary (2010-2014; 2023) | Assistant Vice President – Legal and Compliance Group, Capital Research and Management Company |
| Gregory F. Niland, 1971<br>Treasurer (2008) | Vice President – Legal and Compliance Group, Capital Research and Management Company |
| Susan K. Countess, 1966<br>Assistant Secretary (2014) | Associate – Legal and Compliance Group, Capital Research and Management Company |

| Name, year of birth and position with Series (year first elected as an officer[2]) | Principal occupation(s) during the past five years and positions held with affiliated entities or the Principal Underwriter of the Series |
|---|---|
| Sandra Chuon, 1972<br>Assistant Treasurer (2019) | Vice President – Investment Operations, Capital Research and Management Company |
| Brian C. Janssen, 1972<br>Assistant Treasurer (2015) | Senior Vice President – Legal and Compliance Group, Capital Research and Management Company |

* Company affiliated with Capital Research and Management Company.

[1] The term independent trustee refers to a trustee who is not an "interested person" of the funds within the meaning of the 1940 Act.

[2] Trustees and officers of the Series serve until their resignation, removal or retirement.

[3] This includes all directorships/trusteeships (other than those in the American Funds or other funds managed by Capital Research and Management Company or its affiliates) that are held by each trustee as a director/trustee of a public company or a registered investment company. Unless otherwise noted, all directorships/trusteeships are current.

[4] The term interested trustee refers to a trustee who is an "interested person" of the funds within the meaning of the 1940 Act, on the basis of his or her affiliation with the Series' investment adviser, Capital Research and Management Company, or affiliated entities.

[5] All of the trustees and/or officers listed are officers and/or directors/trustees of one or more of the other funds for which Capital Research and Management Company serves as investment adviser.

**The address for all trustees and officers of the Series is 333 South Hope Street, 55th Floor, Los Angeles, California 90071, Attention: Secretary.**

**Fund shares owned by trustees as of December 31, 2025:**

| Name | Dollar range[1] of fund shares owned in Series[3] | Aggregate dollar range[1] of shares owned in all funds overseen by trustee in the same family of investment companies as the Series | Dollar range[1] of independent trustees deferred compensation[4] allocated to Series[5] | Aggregate dollar range[1,2] of independent trustees deferred compensation[4] allocated to all the funds overseen by trustee in the same family of investment companies as the Series |
|---|---|---|---|---|
| Independent trustees | | | | |
| Vanessa C. L. Chang | None | Over $100,000 | N/A | N/A |
| Francisco G. Cigarroa | None | None | N/A | Over $100,000 |
| Nariman Farvardin | None | Over $100,000 | N/A | Over $100,000 |
| Jennifer C. Feikin | None | Over $100,000 | N/A | Over $100,000 |
| John G. Freund | None | Over $100,000 | N/A | Over $100,000 |
| Leslie Stone Heisz | None | Over $100,000 | N/A | N/A |
| Sharon I. Meers | None | Over $100,000 | N/A | Over $100,000 |
| Kenneth M. Simril | None | Over $100,000 | N/A | N/A |
| Margaret Spellings | None | Over $100,000 | N/A | Over $100,000 |
| Christopher E. Stone | None | Over $100,000 | N/A | Over $100,000 |
| Alexandra Trower | None | Over $100,000 | N/A | Over $100,000 |
| Paul S. Williams | None | Over $100,000 | N/A | Over $100,000 |

| Name | Dollar range[1] of fund shares owned in Series[3] | Aggregate dollar range[1] of shares owned in all funds overseen by trustee in the same family of investment companies as the Series |
|---|---|---|
| Interested trustees | | |
| Christopher D. Buchbinder | None | Over $100,000 |
| William L. Robbins | None | Over $100,000 |

[1] Ownership disclosure is made using the following ranges: None; $1 – $10,000; $10,001 – $50,000; $50,001 – $100,000; and Over $100,000. The amounts listed for interested trustees include shares owned through The Capital Group Companies, Inc. retirement plan and/or 401(k) plan, as applicable.

[2] N/A indicates that the listed individual, as of December 31, 2025, was not a trustee of the fund (or, as applicable, other funds in the same family of investment companies as the fund), did not allocate deferred compensation to the fund, or did not participate in the deferred compensation plan.

[3] Shares of the funds may only be owned by purchasing variable annuity and variable life insurance contracts. Each trustee's need for variable annuity or variable life contracts and the role those contracts would play in his or her comprehensive investment portfolio will vary and depend on a number of factors including tax, estate planning, life insurance, alternative retirement plans or other considerations.

[4] Eligible trustees may defer their compensation under a nonqualified deferred compensation plan. Amounts deferred by the trustee accumulate at an earnings rate determined by the total return of one or more American Funds as designated by the trustee.

[5] The funds in the Series are not available for investment in the independent trustees' deferred compensation plan.

**Trustee compensation —** No compensation is paid by the Series to any officer or trustee who is a director, officer or employee of the investment adviser or its affiliates. Except for the independent trustees listed in the "Board of trustees and officers — Independent trustees" table under the "Management of the Series" section in this statement of additional information, all other officers and trustees of the Series are directors, officers or employees of the investment adviser or its affiliates. The board typically meets either individually or jointly with the boards of one or more other such funds with substantially overlapping board membership (in each case referred to as a "board cluster"). The Series typically pays each independent trustee an annual retainer fee based primarily on the total number of board clusters which that independent trustee serves. Board and committee chairs receive additional fees for their services.

The Series and the other funds served by each independent trustee each pay a portion of these fees.

No pension or retirement benefits are accrued as part of Series expenses. Generally, independent trustees may elect, on a voluntary basis, to defer all or a portion of their fees through a deferred compensation plan in effect for the Series. The Series also reimburses certain expenses of the independent trustees.

**Trustee compensation earned during the fiscal year ended December 31, 2025:**

| Name | **Aggregate compensation (including voluntarily deferred compensation[1]) from the series** | **Total compensation (including voluntarily deferred compensation[1]) from all funds managed by Capital Research and Management Company or its affiliates** |
|---|---|---|
| Vanessa C. L. Chang (elected January 1, 2026) | None | $472,000 |
| Francisco G. Cigarroa[2] | $59,440 | 362,000 |
| Nariman Farvardin[2] | 37,766 | 552,000 |
| Jennifer C. Feikin[2] | 59,440 | 474,500 |
| John G. Freund (elected January 1, 2026) | None | 524,000 |
| Leslie Stone Heisz | 59,440 | 474,500 |
| Mary Davis Holt (retired December 31, 2025) | 45,648 | 432,000 |
| Sharon I. Meers (elected January 1, 2026) | None | 377,000 |
| Merit E. Janow[2] (service ended December 31, 2025) | 38,313 | 580,000 |
| Kenneth M. Simril (elected January 1, 2026) | None | 377,000 |
| Margaret Spellings[2] | 44,334 | 542,000 |
| Christopher E. Stone (elected January 1, 2026) | None | 468,000 |
| Alexandra Trower[2] | 61,082 | 372,000 |
| Paul S. Williams[2] | 61,082 | 372,000 |

[1] Amounts may be deferred by eligible trustees under a nonqualified deferred compensation plan adopted by the Series in 1993. Deferred amounts accumulate at an earnings rate determined by the total return of one or more American Funds as designated by the trustees. Compensation shown in this table for the fiscal year ended December 31, 2025 does not include earnings on amounts deferred in previous fiscal years. See footnote 2 to this table for more information.

[2] Since the deferred compensation plan's adoption, the total amount of deferred compensation accrued by the Series (plus earnings thereon) through the end of the 2025 fiscal year for participating trustees is as follows: Francisco G. Cigarroa ($168,656), Nariman Farvardin ($676,191), Jennifer C. Feikin ($206,613), Merit E. Janow ($53,761), Margaret Spellings ($558,496), Alexandra Trower ($580,410) and Paul S. Williams ($115,942). Amounts deferred and accumulated earnings thereon are not funded and are general unsecured liabilities of the Series until paid to the trustees.

**Series organization and the board of trustees —** The Series, an open-end investment company, was organized as a Massachusetts business trust on September 13, 1983. At a meeting of the Series' shareholders on November 24, 2009, shareholders approved the reorganization of the Series to a Delaware statutory trust. However, the Series reserved the right to delay implementing the reorganization and has elected to do so. A summary comparison of the governing documents and state laws affecting the Delaware statutory trust and the current form of organization of the Series can be found in the proxy statement for the Series dated August 28, 2009, which is available on the SEC's website at sec.gov.

All Series operations are supervised by its board of trustees, which meets periodically and performs duties required by applicable state and federal laws. Independent board members are paid certain fees for services rendered to the Series as described above. They may elect to defer all or a portion of these fees through a deferred compensation plan in effect for the Series.

Massachusetts common law provides that a trustee of a Massachusetts business trust owes a fiduciary duty to the trust and must carry out his or her responsibilities as a trustee in accordance with that fiduciary duty. Generally, a trustee will satisfy his or her duties if he or she acts in good faith and uses ordinary prudence.

The Series currently consists of separate funds which have separate assets and liabilities, and invest in separate investment portfolios. The board of trustees may create additional funds in the future. Income, direct liabilities and direct operating expenses of a fund will be allocated directly to that fund and general liabilities and expenses of the Series will be allocated among the funds in proportion to the total net assets of each fund.

Each fund has Class 1, Class 1A, Class 2 and Class 4 shares. In addition, Growth Fund, EUPAC Fund, Growth-Income Fund, Asset Allocation Fund, American High-Income Trust, Ultra-Short Bond Fund and U.S. Government Securities Fund have Class 3 shares. Other funds in the series have Class P1 and/or Class P2 shares. The shares of each class represent an interest in the same investment portfolio. Each class has equal rights as to voting, redemption, dividends and liquidation, except that each class bears different distribution expenses and other expenses properly attributable to the particular class as approved by the board of trustees and set forth in the Series' amended and restated rule 18f-3 Plan. Class 1A, Class 2, Class 3 and Class 4 shareholders have exclusive voting rights with respect to their respective rule 12b-1 Plans adopted in connection with the distribution of Class 1A, Class 2, Class 3 and Class 4 shares. Class 1A and Class 4 shareholders have exclusive voting rights with respect to their Insurance Administrative Services Plans. Shares of each Class of the Series vote together on matters that affect all classes in substantially the same manner. Each class votes as a class on matters that affect that class alone.

The Series does not hold annual meetings of shareholders. However, significant matters that require shareholder approval, such as certain elections of board members or a change in a fundamental investment policy, will be presented to shareholders at a meeting called for such purpose. Shareholders have one vote per share owned. At the request of the holders of at least 10% of the shares, the Series will hold a meeting at which any member of the board could be removed by a majority vote.

The Series' declaration of trust and by-laws, as well as separate indemnification agreements that the Series has entered into with independent trustees, provide in effect that, subject to certain conditions, the Series will indemnify its officers and trustees against liabilities or expenses actually and reasonably incurred by them relating to their service to the Series. However, trustees are not protected from liability by reason of their willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of their office.

**Leadership structure —** The board's chair is currently an independent trustee who is not an "interested person" of the Series within the meaning of the 1940 Act. The board has determined that an independent chair facilitates oversight and enhances the effectiveness of the board. The independent chair's duties include, without limitation, generally presiding at meetings of the board, approving board meeting schedules and agendas, leading meetings of the independent trustees in executive session, facilitating communication with committee chairs, and serving as the principal independent trustee contact for Series management and counsel to the independent trustees and the fund.

**Risk oversight —** Day-to-day management of the Series, including risk management, is the responsibility of the Series' contractual service providers, including the Series' investment adviser, principal underwriter/distributor and transfer agent. Each of these entities is responsible for specific portions of the Series' operations, including the processes and associated risks relating to the funds' investments, integrity of cash movements, financial reporting, operations and compliance. The board of trustees oversees the service providers' discharge of their responsibilities, including the processes they use to manage relevant risks. In that regard, the board receives reports regarding the operations of the Series' service providers, including risks. For example, the board receives reports from investment professionals regarding risks related to the funds' investments and trading. The board also receives compliance reports from the Series and the investment adviser's chief compliance officers addressing certain areas of risk.

Committees of the Series board, which are comprised of independent board members, none of whom is an "interested person" of the fund within the meaning of the 1940 Act, as well as joint committees of independent board members of funds managed by Capital Research and Management Company, also explore risk management procedures in particular areas and then report back to the full board. For example, the Series' audit committee oversees the processes and certain attendant risks relating to financial reporting, valuation of fund assets, and related controls. Similarly, a joint review and advisory committee oversees certain risk controls relating to the fund's transfer agency services.

Not all risks that may affect the Series can be identified or processes and controls developed to eliminate or mitigate their effect. Moreover, it is necessary to bear certain risks (such as investment-related risks) to achieve each fund's objectives. As a result of the foregoing and other factors, the ability of the Series' service providers to eliminate or mitigate risks is subject to limitations.

**Committees of the board of trustees —** The Series has an audit committee comprised of Vanessa C. L. Chang, Francisco G. Cigarroa, John G. Freund, Leslie Stone Heisz, Sharon I. Meers, Kenneth M. Simril, Christopher E. Stone and Paul S. Williams. The committee provides oversight regarding the Series' accounting and financial reporting policies and practices, its internal controls and the internal controls of the Series' principal service providers. The committee acts as a liaison between the Series' independent registered public accounting firm and the full board of trustees. The audit committee held five meetings during the 2025 fiscal year.

The Series has a contracts committee comprised of all of its independent board members. The committee's principal function is to request, review and consider the information deemed necessary to evaluate the terms of certain agreements between the Series and its investment adviser or the investment adviser's affiliates, such as the Investment Advisory and Service Agreement and plan of distribution adopted pursuant to rule 12b-1 under the 1940 Act, that the Series may enter into, renew or continue, and to make its recommendations to the full board of trustees on these matters. The contracts committee held one meeting during the 2025 fiscal year.

The Series has a nominating and governance committee comprised of Nariman Farvardin, Jennifer C. Feikin, Margaret Spellings and Alexandra Trower. The committee periodically reviews such issues as the board's composition, responsibilities, committees, compensation and other relevant issues, and recommends any appropriate changes to the full board of trustees. The committee also coordinates annual self-assessments of the board and evaluates, selects and nominates independent trustee candidates to the full board of trustees. While the committee normally is able to identify from its own and other resources an ample number of qualified candidates, it will consider shareholder suggestions of persons to be considered as nominees to fill future vacancies on the board. Such suggestions must be sent in writing to the nominating and governance committee of the Series, addressed to the Series' secretary, and must be accompanied by complete biographical and occupational data on the prospective nominee, along with a written consent of the prospective nominee for consideration of his or her name by the committee. The nominating and governance committee held two meetings during the 2025 fiscal year.

**Proxy voting procedures and principles —** The funds' investment adviser, in consultation with the Series' board, has adopted Proxy Voting Procedures and Principles (the "Principles") with respect to voting proxies of securities held by the funds and other funds advised by the investment adviser or its affiliates. The Principles are reasonably designed to ensure that proxies are voted solely in accordance with the financial interest of the clients of the investment adviser or its affiliates and the shareholders of the funds advised or managed by the investment adviser or its affiliates. The complete text of the Principles is available at capitalgroup.com. Final voting authority is held by a committee of the appropriate equity investment division of the investment adviser under authority delegated by the Series' board. Therefore, if more than one fund invests in the same company, they may vote differently on the same proposal. The boards of funds advised by Capital Research and Management Company and its affiliates have established a Joint Proxy Committee ("JPC") composed of independent board members who serve as representatives from each applicable fund board. The JPC's role is to facilitate appropriate oversight of the proxy voting process and provide valuable input on corporate governance and related matters.

The Principles provide an important framework for analysis and decision-making by all funds. However, they are not exhaustive and do not address all potential issues. The Principles provide a certain amount of flexibility so that all relevant facts and circumstances can be considered in connection with every vote. As a result, each proxy received is voted on a case-by-case basis considering the specific circumstances of each proposal. The voting process reflects the funds' understanding of the company's business, its management and its relationship with shareholders over time. In all cases, long-term value creation and the investment objectives and policies of the funds managed by the investment adviser remain the focus.

The investment adviser seeks to vote all U.S. proxies. Proxies for companies outside the United States are also voted where there is sufficient time and information available, taking into account distinct market practices, regulations and laws, and types of proposals presented in each country. Where there is insufficient proxy and meeting agenda information available, the investment adviser will generally vote against such proposals in the interest of encouraging improved disclosure for investors. The investment adviser may not exercise its voting authority if voting would impose costs on clients, including opportunity costs. For example, certain regulators have granted investment limit relief to the investment adviser and its affiliates, conditioned upon limiting voting power to specific voting ceilings. To comply with these voting ceilings, the investment adviser will scale back its votes across all funds and accounts it manages on a pro rata basis based on assets. In addition, certain countries impose restrictions on the ability of shareholders to sell shares during the proxy solicitation period. The investment adviser may choose, due to liquidity issues, not to expose the funds and accounts it manages to such restrictions and may not vote some (or all) shares. Finally, the investment adviser may determine not to recall securities on loan to exercise its voting rights when it determines that the cost of doing so would exceed the benefits to clients or that the vote would not have a material impact on the investment. Proxies with respect to securities on loan through client-directed lending programs are not available to vote and therefore are not voted.

After a proxy statement is received, the investment adviser's stewardship and engagement team prepares a summary of the proposals contained in the proxy statement.

Investment analysts are generally responsible for making voting recommendations for their investment division on significant votes that relate to companies in their coverage areas. Analysts also have the opportunity to review initial recommendations made by the investment adviser's stewardship and engagement team. Depending on the vote recommendation, a second opinion may be made by a proxy coordinator (an investment professional with experience in corporate governance and proxy voting matters) within the appropriate investment division, based on knowledge of the Principles and familiarity with proxy-related issues. Each of the investment adviser's equity investment divisions has its own proxy voting committee, which is made up of investment professionals within each division. Each division's proxy voting committee retains final authority for voting decisions made by such division. In cases where a fund is co-managed and a security is held by more than one of the investment adviser's equity investment divisions, the divisions may develop different voting recommendations for individual ballot proposals. If this occurs, and if permitted by local market conventions, the fund's position will generally be voted proportionally by divisional holding, according to their respective decisions. Otherwise, the outcome will be determined by the equity investment division or divisions with the larger position in the security as of the record date for the shareholder meeting.

In addition to our proprietary proxy voting, governance and executive compensation research, Capital Research and Management Company may utilize research provided by third-party advisory firms on a case-by-case basis. It does not, as a policy, follow the voting recommendations provided by these firms. It periodically assesses the information provided by the advisory firms and reports to the applicable governance committees that provide oversight of the application of the Principles.

From time to time the investment adviser may vote proxies issued by, or on proposals sponsored or publicly supported by *(a)* a client with substantial assets managed by the investment adviser or its affiliates, *(b)* an entity with a significant business relationship with The Capital Group Companies, Inc. or its affiliates, or *(c)* a company with a director of an American Fund on its board (each referred to as an "Interested Party"). Other persons or entities may also be deemed an Interested Party if facts or circumstances appear to give rise to a potential conflict.

The investment adviser has developed procedures to identify and address instances when a vote could appear to be influenced by such a relationship. Each equity investment division of the investment adviser has established a Special Review Committee ("SRC") of senior investment professionals and legal and compliance professionals with oversight of potentially conflicted matters.

If a potential conflict is identified according to the procedure above, the SRC will take appropriate steps to address the conflict of interest. These steps may include engaging an independent third party to review the proxy and using the Principles to provide an independent voting recommendation to the investment adviser for vote execution. The investment adviser will generally follow the third party's recommendation, except when it believes the recommendation is inconsistent with the investment adviser's fiduciary duty to its clients. Occasionally, it may not be feasible to engage the third party to review the matter due to compressed timeframes or other operational issues. In this case, the SRC will take appropriate steps to address the conflict of interest, including reviewing the proxy after being provided with a summary of any relevant communications with the Interested Party, the rationale for the voting decision, information on the organization's relationship with the Interested Party and any other pertinent information.

Information regarding how the funds voted proxies relating to portfolio securities during the 12-month period ended June 30 of each year will be available on or about September 1 of such year (*a*) without charge, upon request by calling American Funds Service Company at (800) 421-4225, (*b*) on the Capital Group website and (*c*) on the SEC's website at sec.gov.

The following summary sets forth the general positions of the investment adviser on various proposals. A copy of the full Principles is available upon request, free of charge, by calling American Funds Service Company or visiting the Capital Group website.

**Director matters —** The election of a company's slate of nominees for director generally is supported. Votes may be withheld for some or all of the nominees if this is determined to be in the best interest of shareholders or if, in the opinion of the investment adviser, such nominee has not fulfilled his or her fiduciary duty. In making this determination, the investment adviser considers, among other things, a nominee's potential conflicts of interest, track record (whether in the current board seat or in previous executive or director roles) with respect to shareholder protection and value creation as well as their capacity for full engagement on board matters. The investment adviser generally supports a breadth of experience and perspectives among board members, and the separation of the chairman and CEO positions.

**Governance provisions —** Proposals to declassify a board (elect all directors annually) generally are supported based on the belief that this increases the directors' sense of accountability to shareholders. Proposals for cumulative voting generally are supported in order to promote management and board accountability and an opportunity for leadership change. Proposals designed to make director elections more meaningful, either by requiring a majority vote or by requiring any director receiving more withhold votes than affirmative votes to tender his or her resignation, generally are supported.

**Shareholder rights —** Proposals to repeal an existing poison pill generally are supported. (There may be certain circumstances, however, when a proxy voting committee of a fund or an investment division of the investment adviser believes that a company needs to maintain anti-takeover protection.) Proposals to eliminate the right of shareholders to act by written consent or to take away a shareholder's right to call a special meeting typically are not supported.

**Compensation and benefit plans —** Equity incentive plans are complicated, and many factors are considered in evaluating a plan. Each plan is evaluated based on protecting shareholder interests and a knowledge of the company and its management. Considerations include the pricing (or repricing) of options awarded under the plan and the impact of dilution on existing shareholders from past and future equity awards. Compensation packages should be structured to attract, motivate and retain existing employees and qualified directors; in addition, they should be aligned with the long-term success of the company and the enhancement of shareholder value.

**Routine matters —** The ratification of auditors, procedural matters relating to the annual meeting and changes to company name are examples of items considered routine. Such items generally are voted in favor of management's recommendations unless circumstances indicate otherwise.

**Shareholder proposals on environmental and social issues —** The investment adviser believes environmental and social issues present investment risks and opportunities that can shape a company's long-term financial sustainability. Shareholder proposals, including those relating to social and environmental issues, are evaluated in terms of their materiality to the company and its ability to generate long-term value in light of the company's business model specific operating context. The investment adviser generally supports transparency and standardized disclosure, particularly that which leverages existing regulatory reporting or industry best practices. With respect to environmental matters, this includes disclosures aligned with industry standards and reporting on sustainability issues that are material to investment analysis. With respect to social matters, the investment adviser encourages companies to disclose the composition of the workforce in a regionally appropriate manner. The investment adviser supports relevant reporting and disclosure that is consistent with broadly applicable standards.

**Principal fund shareholders —** The following tables identify those investors who own of record, or are known by the Series to own beneficially, 5% or more of any class of a fund's shares as of the opening of business on April 1, 2026. Unless otherwise indicated, the ownership percentages below represent ownership of record rather than beneficial ownership.

**Global Growth Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 28.31% |
| NVIT Global Growth Feeder Fund<br>C/O Nationwide<br>King of Prussia, PA | Beneficial | Class 1 | 16.92% |
| LVIP American Global Growth Fund<br>Fort Wayne, IN | Beneficial | Class 1 | 9.65% |
| SAST Global Growth Portfolio<br>C/O Sunamerica Asset Management Company<br>Houston, TX | Beneficial | Class 1 | 9.41% |
| JNL Series Trust<br>AFIS Growth Allocation<br>Lansing, MI | Beneficial | Class 1 | 9.40% |
| Variable Insurance Managed Risk<br>Growth Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 6.32% |
| John Hancock Life Insurance Company USA<br>American Global Growth<br>Boston, MA | Beneficial | Class 1 | 5.04% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1-A<br>Class 2<br>Class 4 | 34.59%<br>58.20%<br>24.86% |
| NML Variable Annuity Account B<br>Milwaukee, WI | Beneficial | Class 1-A | 30.43% |
| Northwestern Mutual Variable Life<br>Account 1<br>Milwaukee, WI | Beneficial | Class 1-A | 13.22% |
| Northwestern Mutual Variable Life<br>Account 2<br>Milwaukee, WI | Beneficial | Class 1-A | 11.29% |
| NML Variable Annuity Account A<br>Milwaukee, WI | Beneficial | Class 1-A | 6.65% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 2 | 11.08% |
| Brighthouse Life Insurance Company<br>Tampa, FL | Beneficial | Class 2 | 5.23% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2 | 5.09% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 20.68% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 20.25% |
| Thrivent Variable Annuity Account I<br>Appleton, WI | Beneficial | Class 4 | 7.67% |

**SMALLCAP World Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 77.15% |
| Variable Insurance Managed Risk<br>Growth Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 10.95% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1A<br>Class 2<br>Class 4 | 6.42%<br>93.14%<br>55.34%<br>28.13% |
| Axcelus Financial Life Insurance<br>Philadelphia, PA | Beneficial | Class 1A | 6.86% |
| Metropolitan Life Insurance Company<br>Individual Annuities<br>Irvine, CA | Beneficial | Class 2 | 19.31% |
| Nyliac<br>Jersey City, NJ | Beneficial | Class 4 | 17.22% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 14.77% |
| AXA Equitable Life<br>Separate Account - FP<br>Jersey City, NJ | Beneficial | Class 4 | 6.14% |

**U.S. Small and Mid Cap Equity Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Variable Insurance Managed Risk<br>Growth Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 99.99% |
| Capital Research & Management Company<br>Corporate Account<br>Irvine, CA | Record | Class 1-A<br>Class 2 | 100.00%<br>100.00% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 4 | 93.44% |
| Lincoln Life & Annuity of New York<br>Fort Wayne, IN | Beneficial | Class 4 | 6.56% |

**Growth Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 34.70% |
| LVIP American Growth Fund<br>Fort Wayne, IN | Beneficial | Class 1 | 12.50% |
| NVIT Growth Feeder Fund<br>C/O Nationwide<br>King of Prussia, PA | Beneficial | Class 1 | 10.22% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1-A<br>Class 2<br>Class 4 | 8.62%<br>17.51%<br>46.17%<br>23.78% |
| BHFTI American Funds<br>Growth Portfolio<br>Boston, MA | Beneficial | Class 1 | 7.84% |
| Mac & Company<br>FBO Aggressive Model Portfolio<br>Account 1<br>Pittsburgh, PA | Beneficial | Class 1-A | 35.44% |
| Mac & Company<br>FBO Model Portfolio<br>Account 2<br>Pittsburgh, PA | Beneficial | Class 1-A | 18.08% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Mac & Company<br>FBO Model Portfolio<br>Account 3<br>Pittsburgh, PA | Beneficial | Class 1-A | 15.55% |
| Metropolitan Life Insurance Company<br>Individual Annuities<br>Irvine, CA | Beneficial | Class 2 | 7.43% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2 | 6.94% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 3 | 100.00% |
| Nyliac<br>Jersey City, NJ | Beneficial | Class 4 | 23.53% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 20.63% |
| Transamerica Life Insurance Company<br>Separate Account VA B<br>Cedar Rapids, IA | Beneficial | Class 4 | 8.53% |

**EUPAC Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 43.79% |
| John Hancock Life Insurance Company USA<br>Boston, MA | Beneficial | Class 1 | 11.65% |
| LVIP American International Fund<br>Fort Wayne, IN | Beneficial | Class 1 | 9.26% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1-A<br>Class 2<br>Class 4 | 8.71%<br>99.25%<br>58.98%<br>29.26% |
| BHFTI American Funds<br>Balanced Allocation Portfolio<br>Account 1<br>Boston, MA | Beneficial | Class 1 | 7.75% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| BHFTI American Funds<br>Growth Allocation Portfolio<br>Account 2<br>Boston, MA | Beneficial | Class 1 | 7.62% |
| Pruco Life Insurance Company of Arizona<br>Prudential Separate Accounts<br>Newark, NJ | Beneficial | Class 2 | 7.60% |
| Transamerica Life Insurance Company<br>Separate Account VA B<br>Cedar Rapids, IA | Beneficial | Class 2<br>Class 4 | 5.79%<br>10.04% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2<br>Class 4 | 5.05%<br>8.73% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 3 | 100.00% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 19.75% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 8.54% |

**New World Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 71.24% |
| Metropolitan Life Insurance Company<br>Individual Annuities<br>Irvine, CA | Beneficial | Class 1 | 7.95% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1-A<br>Class 2<br>Class 4 | 33.68%<br>49.72%<br>9.15% |
| NML Variable Annuity Account B<br>Milwaukee, WI | Beneficial | Class 1-A | 21.50% |
| Northwestern Mutual Variable Life<br>Account 1<br>Milwaukee, WI | Beneficial | Class 1-A | 21.31% |
| NML Variable Annuity Account A<br>Milwaukee, WI | Beneficial | Class 1-A | 10.90% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Northwestern Mutual Variable Life<br>Account 2<br>Milwaukee, WI | Beneficial | Class 1-A | 10.15% |
| Nationwide Life Insurance Company<br>NWVLI 4<br>Columbus, OH | Beneficial | Class 2 | 8.10% |
| Talcott Resolution Life and Annuity Separate Account<br>Account 1<br>Hartford, CT | Beneficial | Class 2 | 6.90% |
| Talcott Resolution Life and Annuity Insurance Company<br>Account 2<br>Hartford, CT | Beneficial | Class 2 | 6.22% |
| Nyliac<br>Jersey City, NJ | Beneficial | Class 4 | 26.26% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 11.59% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 9.73% |
| AXA Equitable Life<br>Separate Account - FP<br>Jersey City, NJ | Beneficial | Class 4 | 7.28% |
| Nationwide Life Insurance Company<br>NWAVAII<br>Columbus, OH | Beneficial | Class 4 | 6.52% |

**Capital World Growth and Income Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Variable Insurance Managed Risk<br>Growth and Income Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 53.08% |
| Variable Insurance Growth and Income Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 14.31% |
| Variable Insurance Managed Risk<br>Global Allocation Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 14.21% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1-A<br>Class 2<br>Class 4 | 7.75%<br>76.75%<br>77.88%<br>25.99% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Modern Woodmen of America<br>Rock Island, IL | Beneficial | Class 1 | 5.33% |
| Axcelus Financial Life Insurance<br>Philadelphia, PA | Beneficial | Class 1-A | 23.25% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2 | 10.30% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 37.26% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 8.40% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 7.38% |
| Midland National Life Insurance Company<br>Separate Account C<br>West Des Moines, IA | Beneficial | Class 4 | 6.32% |

**Growth-Income Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 48.66% |
| NVIT Growth-Income Feeder Fund<br>C/O Nationwide Variable Insurance Trust<br>King of Prussia, PA | Beneficial | Class 1 | 16.17% |
| LVIP American Growth-Income Fund<br>Fort Wayne, IN | Beneficial | Class 1 | 8.33% |
| Variable Insurance Managed Risk<br>Growth and Income Fund<br>Norfolk, VA | Record | Class 1 | 6.39% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1-A<br>Class 2<br>Class 4 | 5.64%<br>99.33%<br>54.22%<br>30.40% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2 | 7.85% |
| Metropolitan Life Insurance Company<br>Individual Annuities<br>Irvine, CA | Beneficial | Class 2 | 5.84% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 3 | 100.00% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 23.47% |
| Transamerica Life Insurance Company<br>Separate Account VA B<br>Cedar Rapids, IA | Beneficial | Class 4 | 7.65% |
| Pacific Select Exec Separate Account<br>of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 5.13% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 5.03% |

**International Growth and Income Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1-A<br>Class 2<br>Class 4 | 60.92%<br>44.99%<br>89.73%<br>18.21% |
| Horace Mann Life Insurance Company<br>Springfield, IL | Beneficial | Class 1 | 28.22% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 1<br>Class 4 | 6.29%<br>44.11% |
| Axcelus Financial Life Insurance<br>Philadelphia, PA | Beneficial | Class 1-A | 55.01% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 17.42% |
| Thrivent Variable Annuity Account I<br>Appleton, WI | Beneficial | Class 4 | 9.20% |
| Midland National Life Insurance Company<br>Separate Account C<br>West Des Moines, IA | Beneficial | Class 4 | 5.66% |

**Washington Mutual Investors Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 66.41% |
| NVIT Managed Asset Allocation Fund<br>C/O Nationwide Funds Group<br>King of Prussia, PA | Beneficial | Class 1 | 7.72% |
| BHFTI American Funds<br>Balanced Allocation Portfolio<br>Account 1<br>Boston, MA | Beneficial | Class 1 | 5.03% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1-A<br>Class 2<br>Class 4 | 88.91%<br>68.34%<br>19.78% |
| C M Life Insurance Company Inc<br>Springfield, MA | Beneficial | Class 1-A | 5.45% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2 | 9.56% |
| Pruco Life Insurance Company of Arizona<br>Purdential Separate Accounts<br>Newark, NJ | Beneficial | Class 2 | 5.74% |
| Nyliac<br>Jersey City, NJ | Beneficial | Class 4 | 30.83% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 17.47% |
| Nationwide Life Insurance Company<br>NWVAII<br>Columbus, OH | Beneficial | Class 4 | 9.68% |

**Capital Income Builder**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust AFIS CIB<br>Lansing, MI | Beneficial | Class 1 | 68.17% |
| Variable Insurance Managed Risk<br>Growth and Income Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 22.34% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Variable Insurance Growth and<br>Income Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 5.14% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1-A<br>Class 2<br>Class 4 | 89.68%<br>14.39%<br>46.79% |
| Axcelus Financial Life Insurance<br>Philadelphia, PA | Beneficial | Class 1-A | 10.32% |
| Farmers Variable Life<br>Separate Account A<br>Mercer Island, WA | Beneficial | Class 2 | 41.96% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 2<br>Class 4 | 37.67%<br>6.36% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 21.34% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 4 | 5.90% |

**Asset Allocation Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| NVIT Asset Allocation Feeder Fund<br>C/O Nationwide<br>King of Prussia, PA | Beneficial | Class 1 | 39.80% |
| JNL Series Trust<br>American Funds Balanced Fund<br>Lansing, MI | Beneficial | Class 1 | 23.56% |
| SAST Asset Allocation Portfolio<br>C/O Sunamerica Asset Management Company<br>Houston, TX | Beneficial | Class 1 | 11.74% |
| Variable Insurance Managed Assert Allocation Fund<br>Norfolk, VA | Record | Class 1 | 8.73% |
| John Hancock Life Insurance Company USA<br>American Asset Allocation<br>Boston, MA | Beneficial | Class 1 | 7.69% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1-A<br>Class 2<br>Class 4 | 99.59%<br>48.60%<br>8.49% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Transamerica Life Insurance Company<br>Separate Account VA B<br>Cedar Rapids, IA | Beneficial | Class 2 | 13.97% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2 | 9.98% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 2<br>Class 3<br>Class 4 | 7.84%<br>100.00%<br>9.86% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 52.88% |
| Nyliac<br>Jersey City, NJ | Beneficial | Class 4 | 7.93% |

**American Funds Global Balanced Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Variable Insurance Managed Risk<br>Global Allocation Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 72.31% |
| Variable Insurance Growth and Income Portfolio<br>Norfolk, VA | Record | Class 1 | 23.41% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1-A<br>Class 2<br>Class 4 | 91.81%<br>94.45%<br>20.45% |
| Axcelus Financial Life Insurance<br>Philadelphia, PA | Beneficial | Class 1-A | 8.19% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 49.89% |
| Delaware Life Variable Account F<br>Waltham, MA | Beneficial | Class 4 | 8.94% |
| Nationwide Life Insurance Company<br>NWVAII<br>Columbus, OH | Beneficial | Class 4 | 8.40% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 6.04% |

**American Funds Mortgage Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Nationwide Insurance Company<br>NWVA4<br>Columbus, OH | Beneficial | Class 1 | 69.09% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1-A<br>Class 2<br>Class 4 | 22.71%<br>100.00%<br>97.76%<br>45.75% |
| Lincoln Life & Annuity of New York<br>Fort Wayne, IN | Beneficial | Class 1 | 8.20% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 51.53% |

**American High-Income Trust**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 1-A<br>Class 2<br>Class 4 | 84.76%<br>23.07%<br>91.95%<br>11.04% |
| Paragon Life Insurance<br>Saint Louis, MO | Beneficial | Class 1 | 7.46% |
| NML Variable Annuity Account B<br>Milwaukee, WI | Beneficial | Class 1-A | 39.20% |
| NML Variable Annuity Account A<br>Milwaukee, WI | Beneficial | Class 1-A | 14.03% |
| Northwestern Mutual Variable Life<br>Account 1<br>Milwaukee, WI | Beneficial | Class 1-A | 12.10% |
| Northwestern Mutual Variable Life<br>Account 2<br>Milwaukee, WI | Beneficial | Class 1-A | 7.16% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 3 | 100.00% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 40.99% |
| Nationwide Life Insurance Company<br>NVAII<br>Columbus, OH | Beneficial | Class 4 | 24.20% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 15.09% |

**Corporate Bond Fund** — The fund has not yet begun investment operations, and therefore does not yet have any investors as of the date of this statement of additional information.

**Capital World Bond Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| JNL Series Trust<br>Lansing, MI | Beneficial | Class 1 | 51.18% |
| BHFTI American Funds<br>Balanced Allocation Portfolio<br>Account 1<br>Boston, MA | Beneficial | Class 1 | 18.07% |
| BHFTI American Funds<br>Moderate Allocation Portfolio<br>Account 2<br>Boston, MA | Beneficial | Class 1 | 11.02% |
| BHFTI American Funds<br>Growth Allocation Portfolio<br>Account 3<br>Boston, MA | Beneficial | Class 1 | 7.04% |
| Variable Insurance Managed Risk<br>Global Allocation Portfolio Fund<br>Norfolk, VA | Record | Class 1 | 5.59% |
| Mac & Company<br>FBO Legg Mason<br>Account 1<br>Pittsburgh, PA | Beneficial | Class 1-A | 41.64% |
| Mac & Company<br>FBO Moderately Conservative Model Portfolio<br>Account 2<br>Pittsburgh, PA | Beneficial | Class 1-A | 38.61% |
| NML Variable Annuity Account B<br>Milwaukee, WI | Beneficial | Class 1-A | 6.48% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 2<br>Class 4 | 76.10%<br>13.21% |
| Minnesota Life Insurance Company<br>Saint Paul, MN | Beneficial | Class 2 | 8.63% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 35.17% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 4 | 14.13% |
| Nyliac<br>Jersey City, NJ | Beneficial | Class 4 | 13.07% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 7.37% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 6.79% |

**The Bond Fund of America**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| NVIT Bond Feeder Fund<br>C/O Nationwide<br>King of Prussia, PA | Beneficial | Class 1 | 47.80% |
| BHFTI American Funds<br>Balanced Allocation Portfolio<br>Boston, MA | Beneficial | Class 1 | 7.70% |
| JNL Series Trust<br>American Funds Bond Fund of America Fund<br>Lansing, MI | Beneficial | Class 1 | 7.55% |
| BHFTI American Funds<br>Moderate Allocation Portfolio<br>Boston, MA | Beneficial | Class 1 | 5.15% |
| JNL Series Trust<br>AFIS Balanced Allocation Fund<br>Account 2<br>Lansing, MI | Beneficial | Class 1 | 5.13% |
| Mac & Co<br>Account 1<br>FBO Aggressive Model Portfolio<br>Pittsburgh, PA | Beneficial | Class 1-A | 39.13% |

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Mac & Co<br>Account 2<br>FBO Model Portfolio<br>Pittsburgh, PA | Beneficial | Class 1-A | 33.21% |
| Mac & Co<br>Account 3<br>FBO Moderately Conservative Model Portfolio<br>Pittsburgh, PA | Beneficial | Class 1-A | 9.12% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1-A<br>Class 2<br>Class 4 | 7.49%<br>63.31%<br>25.85% |
| Mac & Co<br>Account 4<br>FBO Legg Mason<br>Pittsburgh, PA | Beneficial | Class 1-A | 5.19% |
| Talcott Resolution Life and Annuity Insurance Company<br>Hartford, CT | Beneficial | Class 2 | 10.85% |
| Transamerica Life Insurance Company<br>Separate Account VA B<br>Cedar Rapids, IA | Beneficial | Class 2 | 6.87% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 15.73% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 13.74% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 7.06% |
| Brighthouse Life Insurance Company<br>Tampa, FL | Beneficial | Class 4 | 6.05% |

**U.S. Government Securities Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| NVIT Managed Asset Allocation Fund<br>C/O Nationwide Funds Group<br>King of Prussia, PA | Beneficial | Class 1 | 47.17% |
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 2<br>Class 4 | 24.06%<br>87.94%<br>34.85% |
| Variable Insurance Managed Risk<br>Washington Mutual Inv Fund<br>Norfolk, VA | Record | Class 1 | 11.39% |
| Mac & Company<br>FBO Model Portfolio<br>Account 1<br>Pittsburgh, PA | Beneficial | Class 1-A | 42.54% |
| Mac & Company<br>FBO Aggressive Model Portfolio<br>Account 2<br>Pittsburgh, PA | Beneficial | Class 1-A | 30.12% |
| Mac & Company<br>FBO Moderately Conservative Model Portfolio<br>Account 3<br>Pittsburgh, PA | Beneficial | Class 1-A | 17.48% |
| Mac & Company<br>FBO Legg Mason<br>Account 4<br>Pittsburgh, PA | Beneficial | Class 1-A | 7.84% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 3 | 100.00% |
| Separate Account A of Pacific Life Insurance Company<br>Newport Beach, CA | Beneficial | Class 4 | 23.04% |
| Protective Life & Insurance Company Inc<br>Birmingham, AL | Beneficial | Class 4 | 14.65% |
| Jefferson National Life<br>Louisville, KY | Beneficial | Class 4 | 10.46% |
| Nyliac<br>Jersey City, NJ | Beneficial | Class 4 | 6.46% |

**Ultra-Short Bond Fund**

| Name and address | Ownership | Ownership percentage | |
|---|---|---|---|
| Lincoln Life Insurance Company<br>Fort Wayne, IN | Beneficial | Class 1<br>Class 2<br>Class 4 | 76.92%<br>94.45%<br>79.47% |
| Paragon Life Insurance<br>Saint Louis, MO | Beneficial | Class 1 | 19.41% |
| Capital Research & Management Company<br>Corporate Account<br>Irvine, CA | Record | Class 1-A | 100.00% |
| Lincoln Life & Annuity of New York<br>Fort Wayne, IN | Beneficial | Class 2 | 5.55% |
| AIG Sunamerica Life Assurance Company<br>Variable Separate Account & Variable Annuity Account Seven<br>Houston, TX | Beneficial | Class 3 | 100.00% |
| Midland National Life Insurance Company<br>Separate Account C<br>West Des Moines, IA | Beneficial | Class 4 | 18.26% |

As of April 1, 2026, the officers and trustees of the Series, as a group, owned beneficially or of record less than 1% of the outstanding shares of each fund.

**Investment adviser —** Capital Research and Management Company, the Series' investment adviser, founded in 1931, maintains research facilities in the United States and abroad (Geneva, Hong Kong, London, Los Angeles, Mumbai, New York, San Francisco, Singapore, Tokyo, Toronto and Washington, D.C.). These facilities are staffed with experienced investment professionals. The investment adviser is located at 333 South Hope Street, Los Angeles, CA 90071. It is a wholly owned subsidiary of The Capital Group Companies, Inc., a holding company for several investment management subsidiaries. Capital Research and Management Company manages equity assets through three equity investment divisions and fixed income assets through its fixed income investment division, Capital Fixed Income Investors. The three equity investment divisions — Capital World Investors, Capital Research Global Investors and Capital International Investors — make investment decisions independently of one another. Portfolio managers in Capital International Investors rely on a research team that also provides investment services to institutional clients and other accounts advised by affiliates of Capital Research and Management Company. The investment adviser, which is deemed under the Commodity Exchange Act (the "CEA") to be the operator of certain funds, has claimed an exclusion from the definition of the term commodity pool operator under the CEA with respect to each fund and, therefore, is not subject to registration or regulation as such under the CEA with respect to the funds.

The investment adviser has adopted policies and procedures that address issues that may arise as a result of an investment professional's management of the funds and other funds and accounts. Potential issues could involve allocation of investment opportunities and trades among funds and accounts, use of information regarding the timing of fund trades, investment professional compensation and voting relating to portfolio securities. The investment adviser believes that its policies and procedures are reasonably designed to address these issues.

**Compensation of investment professionals —** As described in the prospectus, the investment adviser uses a system of multiple portfolio managers in managing fund assets. In addition, Capital Research and Management Company's investment analysts may make investment decisions with respect to a portion of a fund's portfolio within their research coverage.

Portfolio managers and investment analysts are paid competitive salaries by Capital Research and Management Company. In addition, they may receive bonuses based on their individual portfolio results. Investment professionals also may participate in profit-sharing plans. The relative mix of compensation represented by bonuses, salary and profit-sharing plans will vary depending on the individual's portfolio results, contributions to the organization and other factors.

To encourage a long-term focus, bonuses based on investment results are calculated by comparing total investment returns to relevant benchmarks over the most recent one-, three-, five- and eight-year periods, with increasing weight placed on each succeeding measurement period. For portfolio managers, benchmarks may include measures of the marketplaces in which the fund invests and measures of the results of comparable mutual funds. For investment analysts, benchmarks may include relevant market measures and appropriate industry or sector indexes reflecting their areas of expertise. Capital Research and Management Company makes periodic subjective assessments of analysts' contributions to the investment process and this is an element of their overall compensation. The investment results of each of the funds' portfolio managers may be measured against one or more benchmarks, depending on his or her investment focus, such as:

Global Growth Fund — MSCI All Country World Index Net to US and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

SMALLCAP World Fund — (i) MSCI USA Small Cap Index, (ii) MSCI All Country World Small Cap Index Net to US, (iii) MSCI All Country World ex USA Small Cap Index Net to US, and (iv) a peer

group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

U.S. Small and Mid Cap Equity Fund — Russell 2500 Index and Russell Midcap Index;

Growth Fund — (i) S&P 500 Index, (ii) Russell 1000 Growth Index with 6.5% Issuer Cap, and (iii) a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

EUPAC Fund — MSCI All Country World ex USA Index Net to US and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

New World Fund — (i) MSCI All Country World Index Net to US, (ii) JP Morgan Emerging Markets Bond Index Global Diversified, and (iii) MSCI Emerging Markets Index Net to US;

Capital World Growth and Income Fund — (i) MSCI All Country World Index Net to US, (ii) MSCI USA Index, (iii) MSCI All Country World ex USA Index Net to US, and (iv) a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

Growth-Income Fund — S&P 500 Index and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

International Growth and Income Fund — MSCI All Country World ex USA Index Net to US and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

Washington Mutual Investors Fund — (i) S&P 500 Index, (ii) securities that are eligible to be purchased by the fund, and (iii) a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

Capital Income Builder — (i) Bloomberg U.S. Aggregate Bond Index, (ii) custom indices of global securities screened by yield that align to the investment objectives and strategies of the fund, (iii) a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

Asset Allocation Fund — (i) S&P 500 Index, (ii) Bloomberg U.S. Aggregate Index, (iii) Bloomberg U.S. Corporate High Yield Index 2% Issuer Cap and (iv) a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

American Funds Global Balanced Fund — (i) Bloomberg Global Aggregate Index Cap, (ii) MSCI All Country World Index Net to US and (iii) a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

American Funds Mortgage Fund — Bloomberg U.S. Mortgage Securities Index and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

American High-Income Trust — Bloomberg U.S. Corporate High Yield Index 2% Issuer Cap and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

Capital World Bond Fund — Bloomberg Global Aggregate Index and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

The Bond Fund of America — Bloomberg U.S. Aggregate Index and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

U.S. Government Securities Fund — Bloomberg U.S. Government/Mortgage Backed Securities Index and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund;

Ultra-Short Bond Fund — Bloomberg ST GOV/CORP; and

Corporate Bond Fund — Bloomberg US Corporate Investment Grade Index and a peer group average consisting of funds that disclose investment objectives and strategies comparable to those of the fund

From time to time, Capital Research and Management Company may adjust or customize these benchmarks to better reflect the investment objective(s) of the fund and/or the universe of comparably managed funds of competitive investment management firms.

**Portfolio manager fund holdings and management of other accounts —** Shares of the funds may only be owned by purchasing variable annuity and variable life insurance contracts. Each portfolio manager's need for variable annuity or variable life insurance contracts and the role those contracts would play in his or her comprehensive investment portfolio will vary and depend on a number of factors including tax, estate planning, life insurance, alternative retirement plans or other considerations. The portfolio managers have determined that variable insurance or annuity contracts do not meet their current needs. Consequently, they do not hold shares of the funds.

Portfolio managers may also manage assets in other registered investment companies advised by Capital Research and Management Company or its affiliates. Other managed accounts as of the end of American Funds Insurance Series' most recently completed fiscal year are listed as follows:

**The following table reflects information as of December 31, 2025:**

| Portfolio manager/ Investment professional | Number of other registered investment companies (RICs) for which portfolio manager or investment professional manages (assets of RICs in billions)[1] | | Number of other pooled investment vehicles (PIVs) for which portfolio manager or investment professional manages (assets of PIVs in billions)[1] | | Number of other accounts for which portfolio manager or investment professional manages (assets of other accounts in billions)[1,2] | |
|---|---|---|---|---|---|---|
| Global Growth Fund | | | | | | |
| Barbara Burtin | 5 | $190.6 | 4 | $28.76 | None | |
| Mathews Cherian | 4 | $483.4 | 5 | $18.36 | None | |
| Patrice Collette | 5 | $190.6 | 5 | $28.84 | 1 | $0.16 |
| Matt Hochstetler | 7 | $90.3 | 2 | $3.42 | None | |
| Jason B. Smith | 1 | $8.1 | None | | None | |
| SMALLCAP World Fund | | | | | | |
| Julian N. Abdey | 4 | $492.1 | 1 | $9.00 | None | |
| Peter Eliot | 2 | $82.5 | None | | None | |
| Brady L. Enright | 3 | $406.9 | 4 | $33.04 | None | |
| Brittain Ezzes | 19 | $206.3 | None | | None | |
| Bradford F. Freer | 6 | $194.1 | 2 | $3.42 | None | |
| Peter Gusev | 2 | $126.2 | 2 | $3.45 | None | |
| Leo Hee | 6 | $246.7 | 4 | $18.19 | None | |
| M. Taylor Hinshaw | 5 | $223.2 | None | | None | |
| Roz Hongsaranagon | 5 | $419.8 | 1 | $9.00 | None | |
| Shlok Melwani | 1 | $82.4 | None | | None | |
| Dimitrije M. Mitrinovic | 5 | $370.7 | 4 | $6.80 | None | |
| Aidan O'Connell | 3 | $514.7 | 3 | $13.97 | None | |
| Samir Parekh | 9 | $248.9 | 13 | $29.63 | 100[4] | $24.44 |
| Piyada Phanaphat | 4 | $163.2 | 2 | $3.42 | None | |
| Andraz Razen | 8 | $656.2 | 4 | $36.92 | None | |
| Arun Swaminathan | 3 | $224.5 | 1 | $20.09 | None | |
| Thatcher Thompson | 1 | $82.4 | None | | None | |
| U.S. Small and Mid Cap Equity Fund | | | | | | |
| M. Taylor Hinshaw | 5 | $226.1 | None | | None | |
| Matt Hochstetler | 7 | $99.3 | 2 | $3.42 | None | |
| Roz Hongsaranagon | 5 | $422.6 | 1 | $9.00 | None | |
| Andraz Razen | 8 | $659.1 | 4 | $36.92 | None | |

| Portfolio manager/ Investment professional | Number of other registered investment companies (RICs) for which portfolio manager or investment professional manages (assets of RICs in billions)[1] | | Number of other pooled investment vehicles (PIVs) for which portfolio manager or investment professional manages (assets of PIVs in billions)[1] | | Number of other accounts for which portfolio manager or investment professional manages (assets of other accounts in billions)[1,2] | |
|---|---|---|---|---|---|---|
| Growth Fund | | | | | | |
| Julian N. Abdey | 4 | $440.4 | 1 | $9.00 | None | |
| Paul Benjamin | 4 | $494.3 | 5 | $18.36 | None | |
| Mark L. Casey | 6 | $737.0 | 3 | $20.21 | None | |
| Irfan M. Furniturewala | 5 | $401.4 | 5 | $21.22 | 5 | $7.24 |
| Anne-Marie Peterson | 3 | $517.7 | 4 | $36.92 | None | |
| Andraz Razen | 8 | $604.5 | 4 | $36.92 | None | |
| Alan J. Wilson | 3 | $624.7 | 3 | $18.80 | None | |
| EUPAC Fund | | | | | | |
| Gerald Du Manoir | 6 | $160.6 | 10 | $25.99 | 197[4] | $26.24 |
| Nicholas J. Grace | 4 | $283.5 | 3 | $26.82 | None | |
| Dawid Justus | 5 | $219.8 | 3 | $23.51 | None | |
| Carl M. Kawaja | 5 | $551.4 | 5 | $43.14 | None | |
| Lawrence Kymisis | 1 | $134.6 | 1 | $20.09 | None | |
| Sung Lee | 4 | $283.5 | 3 | $26.82 | None | |
| Samir Parekh | 9 | $244.4 | 13 | $29.63 | 100[4] | $24.44 |
| Lara Pellini | 4 | $322.8 | 5 | $30.26 | None | |
| Andrew B. Suzman | 21 | $391.0 | 2 | $20.93 | None | |
| Arun Swaminathan | 3 | $220.0 | 1 | $20.09 | None | |
| Tomonori Tani | 4 | $215.4 | 3 | $23.51 | None | |
| Lisa Thompson | 8 | $237.4 | 12 | $29.54 | 12[4] | $4.31 |
| New World Fund | | | | | | |
| Bradford F. Freer | 6 | $193.0 | 2 | $3.42 | None | |
| Matt Hochstetler | 7 | $95.4 | 2 | $3.42 | None | |
| Saurav Jain | 7 | $205.9 | 10 | $8.65 | 2 | $0.26 |
| Dawid Justus | 5 | $223.2 | 3 | $23.51 | None | |
| Carl M. Kawaja | 5 | $554.8 | 5 | $43.14 | None | |
| Winnie Kwan | 6 | $230.1 | 4 | $4.71 | None | |
| Piyada Phanaphat | 4 | $162.1 | 2 | $3.42 | None | |
| Akira Shiraishi | 2 | $76.7 | 4 | $4.54 | 8[3] | $1.98 |

| Portfolio manager/ Investment professional | Number of other registered investment companies (RICs) for which portfolio manager or investment professional manages (assets of RICs in billions)[1] | | Number of other pooled investment vehicles (PIVs) for which portfolio manager or investment professional manages (assets of PIVs in billions)[1] | | Number of other accounts for which portfolio manager or investment professional manages (assets of other accounts in billions)[1,2] | |
|---|---|---|---|---|---|---|
| Kirsten Spence | 2 | $79.1 | 6 | $11.24 | 4 | $1.55 |
| Tomonori Tani | 4 | $218.8 | 3 | $23.51 | None | |
| Lisa Thompson | 8 | $240.8 | 12 | $29.54 | 12[4] | $4.31 |
| Christopher Thomsen | 4 | $88.5 | 3 | $3.58 | None | |
| Capital World Growth and Income Fund | | | | | | |
| Alfonso Barroso | 5 | $295.8 | 5 | $8.17 | None | |
| Michael Beckwith | 3 | $238.6 | 4 | $11.69 | None | |
| Michael Cohen | 4 | $162.2 | 6 | $7.64 | 1 | $0.16 |
| Nicholas J. Grace | 4 | $288.8 | 3 | $26.82 | None | |
| Leo Hee | 6 | $247.6 | 4 | $18.19 | None | |
| Jin Lee | 6 | $664.4 | 5 | $22.61 | None | |
| Sung Lee | 4 | $288.8 | 3 | $26.82 | None | |
| Lara Pellini | 4 | $328.2 | 5 | $30.26 | None | |
| Renaud H. Samyn | 3 | $154.2 | 2 | $6.72 | None | |
| Growth-Income Fund | | | | | | |
| Brad Barrett | 2 | $104.6 | 2 | $4.97 | None | |
| Charles E. Ellwein | 6 | $243.7 | 3 | $6.45 | None | |
| Cheryl E. Frank | 5 | $121.5 | 1 | $5.17 | 125 | $19.82 |
| Martin Jacobs | 6 | $420.0 | 6 | $15.17 | None | |
| Caroline Jones | 1 | $8.3 | None | | None | |
| Jessica C. Spaly | 7 | $655.7 | 6 | $86.10 | None | |
| International Growth and Income Fund | | | | | | |
| Barbara Burtin | 5 | $199.4 | 4 | $28.76 | None | |
| Bobby Chada | 2 | $19.4 | 1 | $0.84 | None | |
| Michael Cohen | 4 | $163.9 | 6 | $7.64 | 1 | $0.16 |
| Patrice Collette | 5 | $199.4 | 5 | $28.84 | 1 | $0.16 |
| Leo Hee | 6 | $249.2 | 4 | $18.19 | None | |
| Samir Parekh | 9 | $251.4 | 13 | $29.63 | 100[4] | $24.44 |
| Andrew B. Suzman | 21 | $398.1 | 2 | $20.93 | None | |
| Lisa Thompson | 8 | $244.4 | 12 | $29.54 | 12[4] | $4.31 |

| Portfolio manager/ Investment professional | Number of other registered investment companies (RICs) for which portfolio manager or investment professional manages | (assets of RICs in billions)[1] | Number of other pooled investment vehicles (PIVs) for which portfolio manager or investment professional manages | (assets of PIVs in billions)[1] | Number of other accounts for which portfolio manager or investment professional manages | (assets of other accounts in billions)[1,2] |
|---|---|---|---|---|---|---|
| Steven T. Watson | 4 | $183.0 | 10 | $31.21 | 162[5] | $37.01 |
| Washington Mutual Investors Fund | | | | | | |
| Aline Avzaradel | 5 | $497.4 | 13 | $42.80 | 20[5] | $21.97 |
| Alan N. Berro | 4 | $510.0 | 3 | $15.89 | None | |
| Mark L. Casey | 6 | $779.8 | 3 | $20.21 | None | |
| Irfan M. Furniturewala | 5 | $444.1 | 5 | $21.22 | 5 | $7.24 |
| Emme Kozloff | 3 | $240.3 | 2 | $16.72 | None | |
| Jin Lee | 6 | $654.5 | 5 | $22.61 | None | |
| Eric H. Stern | 3 | $544.2 | 3 | $15.30 | 4 | $6.17 |
| Diana Wagner | 2 | $370.0 | 2 | $11.21 | None | |
| Capital Income Builder | | | | | | |
| Aline Avzaradel | 5 | $507.7 | 13 | $42.80 | 20[5] | $21.97 |
| Alfonso Barroso | 5 | $296.2 | 5 | $8.17 | None | |
| Grant L. Cambridge | 4 | $409.6 | 10 | $13.95 | 2 | $0.26 |
| Charles E. Ellwein | 6 | $285.6 | 3 | $6.45 | None | |
| David A. Hoag | 10 | $612.8 | 4 | $79.33 | None | |
| Saurav Jain | 4 | $127.5 | 7 | $4.44 | 2 | $0.26 |
| Winnie Kwan | 6 | $232.5 | 4 | $4.71 | None | |
| James B. Lovelace | 5 | $436.2 | 6 | $11.49 | None | |
| Fergus N. MacDonald | 9 | $297.2 | 6 | $10.17 | None | |
| Dimitrije M. Mitrinovic | 5 | $371.9 | 4 | $6.80 | None | |
| Andrea Montero | 1 | $120.8 | 2 | $1.29 | None | |
| William L. Robbins | 5 | $500.0 | 5 | $82.95 | None | |
| Brian Wong | 1 | $120.8 | 2 | $1.29 | None | |
| Asset Allocation Fund | | | | | | |
| Alan N. Berro | 5 | $522.0 | 3 | $15.89 | None | |
| Tom Chow | 4 | $494.3 | 2 | $0.50 | None | |
| Emme Kozloff | 3 | $224.6 | 2 | $16.72 | None | |
| Jin Lee | 6 | $638.8 | 5 | $22.61 | None | |
| John R. Queen | 25 | $649.3 | 4 | $13.33 | 168 | $0.32 |

| Portfolio manager/ Investment professional | Number of other registered investment companies (RICs) for which portfolio manager or investment professional manages (assets of RICs in billions)[1] | | Number of other pooled investment vehicles (PIVs) for which portfolio manager or investment professional manages (assets of PIVs in billions)[1] | | Number of other accounts for which portfolio manager or investment professional manages (assets of other accounts in billions)[1,2] | |
|---|---|---|---|---|---|---|
| Justin Toner | 7 | 148.3 | None | | None | |
| American Funds Global Balanced Fund | | | | | | |
| Alfonso Barroso | 5 | $297.4 | 5 | $8.17 | None | |
| Phillip Chitty | 4 | $42.0 | 8 | $3.31 | 1 | $1.06 |
| Andrew A. Cormack | 4 | $42.0 | 6 | $3.09 | 1 | $1.06 |
| Bradford F. Freer | 6 | $196.6 | 2 | $3.42 | None | |
| Winnie Kwan | 6 | $233.7 | 4 | $4.71 | None | |
| American Funds Mortgage Fund | | | | | | |
| David J. Betanzos | 3 | $38.3 | 2 | $5.35 | None | |
| Oliver V. Edmonds | 5 | $56.5 | 2 | $3.33 | None | |
| Fergus N. MacDonald | 9 | $298.7 | 6 | $10.17 | None | |
| Pratyoosh Pratyoosh | 3 | $38.3 | 2 | $5.35 | None | |
| American High-Income Trust | | | | | | |
| Tom Chow | 3 | $54.4 | 2 | $0.50 | None | |
| David A. Daigle | 2 | $166.1 | 3 | $2.58 | 1 | $0.33 |
| Andy Moth | 3 | $166.1 | 2 | $0.50 | None | |
| Shannon Ward | 8 | $566.0 | 9 | $83.68 | 1 | $0.33 |
| Capital World Bond Fund | | | | | | |
| Phillip Chitty | 4 | $41.0 | 8 | $3.31 | 1 | $1.06 |
| Andrew A. Cormack | 4 | $41.0 | 6 | $3.09 | 1 | $1.06 |
| Thomas Reithinger | 2 | $10.0 | 5 | $2.27 | None | |
| The Bond Fund of America | | | | | | |
| Pramod Atluri | 5 | $511.7 | 3 | $11.74 | None | |
| David A. Hoag | 10 | $603.1 | 4 | $79.33 | None | |
| Fergus N. Macdonald | 9 | $287.5 | 6 | $10.17 | None | |
| Chitrang Purani | 7 | $378.9 | 3 | $11.74 | None | |
| John R. Queen | 25 | $665.6 | 4 | $13.33 | 168 | $0.32 |
| U.S. Government Securities Fund | | | | | | |
| David J. Betanzos | 3 | $36.5 | 2 | $5.35 | None | |
| Fergus N. MacDonald | 9 | $297.0 | 6 | $10.17 | None | |

| Portfolio manager/ Investment professional | Number of other registered investment companies (RICs) for which portfolio manager or investment professional manages (assets of RICs in billions)[1] | | Number of other pooled investment vehicles (PIVs) for which portfolio manager or investment professional manages (assets of PIVs in billions)[1] | | Number of other accounts for which portfolio manager or investment professional manages (assets of other accounts in billions)[1,2] | |
|---|---|---|---|---|---|---|
| Pratyoosh Pratyoosh | 3 | $36.5 | 2 | $5.35 | None | |
| Ritchie Tuazon | 4 | $328.8 | 5 | $17.16 | None | |
| Ultra-Short Bond Fund | | | | | | |
| Steven D. Lotwin | 3 | $29.8 | 1 | $1.58 | None | |
| Corporate Bond Fund | | | | | | |
| Scott Sykes | 4 | $37.7 | 6 | $6.93 | 8 | $7.04 |

[1] Indicates other RIC(s), PIV(s) or other accounts managed by Capital Research and Management Company or its affiliates for which the portfolio manager also has significant day to day management responsibilities. Assets noted are the total net assets of the RIC(s), PIV(s) or other accounts and are not the total assets managed by the individual, which is a substantially lower amount. No RIC, PIV or other account has an advisory fee that is based on the performance of the RIC, PIV or other account, unless otherwise noted.

[2] Personal brokerage accounts of portfolio managers and their families are not reflected.

[3] The advisory fee of one of these accounts (representing $0.41 billion in total assets) is based partially on its investment results.

[4] The advisory fee of two of these accounts (representing $0.88 billion in total assets) is based partially on their investment results.

[5] The advisory fee of two of these accounts (representing $0.44 billion in total assets) is based partially on their investment results.

The fund's investment adviser has adopted policies and procedures to mitigate material conflicts of interest that may arise in connection with a portfolio manager's management of the fund, on the one hand, and investments in the other pooled investment vehicles and other accounts, on the other hand, such as material conflicts relating to the allocation of investment opportunities that may be suitable for both the fund and such other accounts.

**Investment Advisory and Service Agreement —** The Investment Advisory and Service Agreement (the "Agreement") between the Series and the investment adviser will continue in effect until April 30, 2027, unless sooner terminated, and may be renewed from year to year thereafter, provided that any such renewal has been specifically approved at least annually by (*a*) the board of trustees, or by the vote of a majority (as defined in the 1940 Act) of the outstanding voting securities of the applicable Series, and (*b*) the vote of a majority of trustees who are not parties to the Agreement or interested persons (as defined in the 1940 Act) of any such party, in accordance with applicable laws and regulations. The Agreement provides that the investment adviser has no liability to the Series for its acts or omissions in the performance of its obligations to the Series not involving willful misconduct, bad faith, gross negligence or reckless disregard of its obligations under the Agreement. The Agreement also provides that either party has the right to terminate it, without penalty, upon 60 days' written notice to the other party, and that the Agreement automatically terminates in the event of its assignment (as defined in the 1940 Act). In addition, the Agreement provides that the investment adviser may delegate all, or a portion of, its investment management responsibilities to one or more subsidiary advisers approved by the Series' board, pursuant to an agreement between the investment adviser and such subsidiary. Any such subsidiary adviser will be paid solely by the investment adviser out of its fees.

Under the Agreement, the investment adviser receives a management fee based on the following annualized rates and daily net asset levels:

**Global Growth Fund**

| | Net asset level | |
|---|---|---|
| Rate | In excess of | Up to |
| 0.475% | $ 0 | $15,000,000,000 |
| 0.435 | 15,000,000,000 | |

**SMALLCAP World Fund**

| | Net asset level | |
|---|---|---|
| Rate | In excess of | Up to |
| 0.647% | $ 0 | $15,000,000,000 |
| 0.615 | 15,000,000,000 | |

**U.S. Small and Mid Cap Equity Fund**

| | Net asset level | |
|---|---|---|
| Rate | In excess of | Up to |
| 0.450% | $ 0 | |

**Growth Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.500% | $ 0 | $ 600,000,000 |
| 0.450 | 600,000,000 | 1,000,000,000 |
| 0.420 | 1,000,000,000 | 2,000,000,000 |
| 0.370 | 2,000,000,000 | 3,000,000,000 |
| 0.350 | 3,000,000,000 | 5,000,000,000 |
| 0.330 | 5,000,000,000 | 8,000,000,000 |
| 0.315 | 8,000,000,000 | 13,000,000,000 |
| 0.300 | 13,000,000,000 | 21,000,000,000 |
| 0.290 | 21,000,000,000 | 27,000,000,000 |
| 0.285 | 27,000,000,000 | 34,000,000,000 |
| 0.280 | 34,000,000,000 | 44,000,000,000 |
| 0.275 | 44,000,000,000 | 55,000,000,000 |
| 0.272 | 55,000,000,000 | |

**EUPAC Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.478% | $ 0 | $15,000,000,000 |
| 0.450 | 15,000,000,000 | 17,000,000,000 |
| 0.440 | 17,000,000,000 | 21,000,000,000 |
| 0.430 | 21,000,000,000 | |

**New World Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.577% | $ 0 | $15,000,000,000 |
| 0.510 | 15,000,000,000 | |

**Capital World Growth and Income Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.475% | $ 0 | $15,000,000,000 |
| 0.435 | 15,000,000,000 | |

**Growth-Income Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.500% | $ 0 | $ 600,000,000 |
| 0.450 | 600,000,000 | 1,500,000,000 |
| 0.400 | 1,500,000,000 | 2,500,000,000 |
| 0.320 | 2,500,000,000 | 4,000,000,000 |
| 0.285 | 4,000,000,000 | 6,500,000,000 |
| 0.256 | 6,500,000,000 | 10,500,000,000 |
| 0.242 | 10,500,000,000 | 13,000,000,000 |
| 0.235 | 13,000,000,000 | 17,000,000,000 |
| 0.230 | 17,000,000,000 | 21,000,000,000 |
| 0.225 | 21,000,000,000 | 27,000,000,000 |
| 0.222 | 27,000,000,000 | 34,000,000,000 |
| 0.219 | 34,000,000,000 | 44,000,000,000 |
| 0.217 | 44,000,000,000 | |

**International Growth and Income Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.478% | $ 0 | $15,000,000,000 |
| 0.450 | 15,000,000,000 | |

**Washington Mutual Investors Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.374% | $ 0 | $15,000,000,000 |
| 0.350 | 15,000,000,000 | |

**Capital Income Builder**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.357% | $ 0 | $15,000,000,000 |
| 0.330 | 15,000,000,000 | |

**Asset Allocation Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.500% | $ 0 | $ 600,000,000 |
| 0.420 | 600,000,000 | 1,200,000,000 |
| 0.360 | 1,200,000,000 | 2,000,000,000 |
| 0.320 | 2,000,000,000 | 3,000,000,000 |
| 0.280 | 3,000,000,000 | 5,000,000,000 |
| 0.260 | 5,000,000,000 | 8,000,000,000 |
| 0.250 | 8,000,000,000 | 13,000,000,000 |
| 0.244 | 13,000,000,000 | 21,000,000,000 |
| 0.240 | 21,000,000,000 | 34,000,000,000 |
| 0.236 | 34,000,000,000 | |

**American Funds Global Balanced Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.446% | $ 0 | $15,000,000,000 |
| 0.420 | 15,000,000,000 | |

**American Funds Mortgage Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.295% | $ 0 | $15,000,000,000 |
| 0.280 | 15,000,000,000 | |

**Corporate Bond Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.460% | $ 0 | |

**American High-Income Trust**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.404% | $ 0 | $15,000,000,000 |
| 0.386 | 15,000,000,000 | |

**Capital World Bond Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.431% | $ 0 | $15,000,000,000 |
| 0.360 | 15,000,000,000 | |

**The Bond Fund of America**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.352% | $ 0 | $15,000,000,000 |
| 0.320 | 15,000,000,000 | |

**U.S. Government Securities Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.295% | $ 0 | $15,000,000,000 |
| 0.280 | 15,000,000,000 | |

**Ultra-Short Bond Fund**

| Rate | Net asset level | |
|---|---|---|
| | In excess of | Up to |
| 0.257% | $ 0 | $15,000,000,000 |
| 0.242 | 15,000,000,000 | |

Management fees are paid monthly and accrued daily.

In addition to providing investment advisory services, the investment adviser furnishes the services and pays the compensation and travel expenses of qualified persons to perform the executive and related administrative functions of the Series, and provides necessary office space, office equipment and utilities, and general purpose accounting forms, supplies and postage used at the office of the Series relating to the services furnished by the investment adviser. Subject to the expense agreement described below, the Series will pay all expenses not expressly assumed by the investment adviser, including, but not limited to: registration and filing fees of federal and state agencies; blue sky expenses (if any); expenses of shareholders' meetings; the expense of reports to existing shareholders; expenses of printing proxies and prospectuses; insurance premiums; legal and auditing fees; dividend disbursement expenses; the expense of the issuance, transfer and redemption of its shares; custodian fees; printing and preparation of registration statements; taxes; compensation, fees and expenses paid to trustees unaffiliated with the investment adviser; association dues; and costs of stationary and forms prepared exclusively for the Series.

The investment adviser is currently reimbursing a portion of the expenses of U.S. Small and Mid Cap Equity Fund. This reimbursement will be in effect through at least May 1, 2027. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at that time. For the fiscal year ended December 31, 2025 and the period from November 15, 2024, when the fund commenced investment operations, to December 31, 2024, the total expenses reimbursed by the investment adviser were $38,000 and $1,000, respectively.

For the fiscal years ended December 31, 2025, 2024 and 2023, the investment adviser earned from the Series management fees, as follows:

| | Fiscal year ended | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| Global Growth Fund | $40,161,000 | $ 38,556,000 | $ 34,394,000 |
| SMALLCAP World Fund | 19,042,000 | 20,032,000 | 19,616,000 |
| U.S. Small and Mid Cap Equity Fund | 216,000 | 9,000* | N/A |
| Growth Fund | 152,106,000 | 134,091,000 | 109,748,000 |
| EUPAC Fund | 34,101,000 | 34,662,000 | 33,259,000 |
| New World Fund | 21,211,000 | 20,199,000 | 18,755,000 |
| Capital World Growth and Income Fund | 9,356,000 | 9,080,000 | 8,437,000 |
| Growth-Income Fund | 104,279,000 | 100,186,000 | 88,400,000 |
| International Growth and Income Fund | 1,811,000 | 1,617,000 | 1,504,000 |
| Washington Mutual Investors Fund | 43,009,000 | 40,700,000 | 36,236,000 |
| Capital Income Builder | 5,458,000 | 4,747,000 | 4,183,000 |
| Asset Allocation Fund | 72,026,000 | 70,955,000 | 66,138,000 |
| American Funds Global Balanced Fund | 1,870,000 | 1,768,000 | 1,670,000 |
| American Funds Mortgage Fund | 349,000 | 328,000 | 303,000 |
| American High-Income Trust | 4,001,000 | 3,640,000 | 3,387,000 |
| Corporate Bond Fund | N/A | N/A | N/A |
| Capital World Bond Fund | 6,326,000 | 6,524,000 | 6,294,000 |
| The Bond Fund of America | 39,384,000 | 39,385,000 | 37,190,000 |
| U.S. Government Securities Fund | 5,429,000 | 4,961,000 | 4,432,000 |
| Ultra-Short Bond Fund | 846,000 | 920,000 | 1,026,000 |

* For the fiscal period from November 15, 2024, when the fund commenced investment operations, to December 31, 2024.

In March 2026, the Series' board of trustees approved an amended Investment Advisory and Service Agreement, pursuant to which the annualized rate payable to the investment adviser on daily net assets of certain funds in excess of certain levels would be decreased. The investment adviser voluntarily waived management fees to give effect to the approved rates in advance of the May 2026 effective date of the amended agreement. Accordingly, after giving effect to the voluntary fee waivers described above, the Series paid the investment adviser management fees of $152,105,000 (a reduction of $1,000) for the fiscal year ended December 31, 2025 for Growth Fund.

Beginning in 2020, the investment adviser agreed to waive a portion of the management fee for funds that have aligned their objectives, investment strategies and portfolio management teams with that of an American Fund of the same name. The waiver is intended to align the management fee of the Series fund with that of the American Fund as of the date of the Series' prospectus. The funds subject to this waiver are SMALLCAP World Fund, EUPAC Fund, New World Fund, Capital World Growth and Income Fund, International Growth and Income Fund, Washington Mutual Investors Fund, Capital Income Builder, American Funds Global Balanced Fund, American Funds Mortgage Fund, American High-Income Trust, Capital World Bond Fund, The Bond Fund of America and U.S. Government Securities Fund.

Accordingly, after giving effect to the waivers described above, the Series paid the investment adviser management fees of $18,638,000 (a reduction of $2,573,000) for New World Fund, $7,386,000 (a reduction of $1,970,000) for Capital World Growth and Income Fund, $26,121,000 (a reduction of $16,888,000) for Washington Mutual Investors Fund, $3,471,000 (a reduction of $1,987,000) for Capital Income Builder, $1,799,000 (a reduction of $71,000) for American Funds Global Balanced Fund, $262,000 (a reduction of $87,000) for American Funds Mortgage Fund, $2,813,000 (a reduction of $1,188,000) for American High-Income Trust, $22,601,000 (a reduction of $16,783,000) for The Bond Fund of America and $4,017,000 (a reduction of $1,412,000) for U.S. Government Securities Fund for the fiscal year ended December 31, 2025.

The Series paid the investment adviser management fees of $17,749,000 (a reduction of $2,450,000) for New World Fund, $7,106,000 (a reduction of $1,974,000) for Capital World Growth and Income Fund, $24,460,000 (a reduction of $16,240,000) for Washington Mutual Investors Fund, $2,977,000 (a reduction of $1,770,000) for Capital Income Builder, $1,728,000 (a reduction of $40,000) for Global Balanced Fund, $246,000 (a reduction of $82,000) for American Funds Mortgage Fund, $2,501,000 (a reduction of $1,139,000) for American High-Income Trust, $23,295,000 (a reduction of $16,090,000) for The Bond Fund of America and $3,835,000 (a reduction of $1,126,000) for U.S. Government Securities Fund for the fiscal year ended December 31, 2024.

The Series paid the investment adviser management fees of $16,480,000 (a reduction of $2,275,000) for New World Fund, $6,483,000 (a reduction of $1,954,000) for Capital World Growth and Income Fund, $1,473,000 (a reduction of $31,000) for International Growth and Income Fund, $22,672,000 (a reduction of $13,564,000) for Washington Mutual Investors Fund, $2,543,000 (a reduction of $1,640,000) for Capital Income Builder, $1,633,000 (a reduction of $37,000) for American Funds Global Balanced Fund, $180,000 (a reduction of $123,000) for American Funds Mortgage Fund, $2,213,000 (a reduction of $1,174,000) for American High-Income Trust, $17,116,000 (a reduction of $20,074,000) for The Bond Fund of America and $2,629,000 (a reduction of $1,803,000) for U.S. Government Securities Fund for the fiscal year ended December 31, 2023.

Beginning in 2022, the investment adviser agreed to waive a portion of the management fee for certain funds to align the management fee of the Series fund with that of its corresponding American Fund as of the date of the Series' prospectus. The funds subject to this waiver are Global Growth Fund (corresponding to New Perspective Fund) and SMALLCAP World Fund (corresponding to SMALLCAP World Fund).

Accordingly, after giving effect to the waivers described above, the Series paid the investment adviser management fees of $31,445,000 (a reduction of $8,716,000), $29,627,000 (a reduction of $8,929,000) and $26,429,000 (a reduction of $7,965,000) for the fiscal years ended December 31, 2025, 2024 and 2023, respectively, for Global Growth Fund and $17,665,000 (a reduction of $1,377,000), $18,995,000 (a reduction of $1,037,000) and $18,100,000 (a reduction of $1,516,000) for the fiscal years ended December 31, 2025, 2024 and 2023, respectively, for SMALLCAP World Fund.

**Administrative services —** The investment adviser and its affiliates provide certain administrative services for shareholders of the Series' Class 1, 1A, 2, 3 and 4 shares. Administrative services are provided by the investment adviser and its affiliates to help assist third parties providing non-distribution services to fund shareholders. These services include providing in-depth information on the fund and market developments that impact fund investments. Administrative services also include, but are not limited to, coordinating, monitoring and overseeing third parties that provide services to Series shareholders.

These services are provided pursuant to an Administrative Services Agreement (the "Administrative Agreement") between the Series and the investment adviser relating to the Series' Class 1, 1A, 2, 3 and 4 shares. The Administrative Agreement will continue in effect until April 30, 2027, unless sooner renewed or terminated, and may be renewed from year to year thereafter, provided that any such renewal has been specifically approved by the vote of a majority of the members of the Series' board who are not parties to the Administrative Agreement or interested persons (as defined in the 1940 Act) of any such party. The Series may terminate the Administrative Agreement at any time by vote of a majority of independent board members. The investment adviser has the right to terminate the Administrative Agreement upon 60 days' written notice to the Series. The Administrative Agreement automatically terminates in the event of its assignment (as defined in the 1940 Act).

The Administrative Services Agreement between the fund and the investment adviser provides the fund the ability to charge an administrative services fee of .05% for all share classes. The investment adviser receives an administrative services fee at the annual rate of .03% of the average daily net assets of the fund (which could be increased as noted above) for its provision of administrative services. Administrative services fees are paid monthly and accrued daily.

During the 2025 fiscal year, the administrative services fees were:

| | Administrative services fee | | | | |
|---|---|---|---|---|---|
| | Class 1 | Class 1A | Class 2 | Class 3 | Class 4 |
| Global Growth Fund | $1,131,000 | $10,000 | $1,076,000 | N/A | $320,000 |
| SMALLCAP World Fund | 257,000 | 2,000 | 518,000 | N/A | 106,000 |
| U.S. Small and Mid Cap Equity Fund | 10,000 | -* | -* | N/A | 5,000 |
| Growth Fund | 6,865,000 | 123,000 | 6,207,000 | $85,000 | 1,820,000 |
| EUPAC Fund | 967,000 | 4,000 | 1,013,000 | 5,000 | 151,000 |
| New World Fund | 581,000 | 5,000 | 252,000 | N/A | 265,000 |
| Capital World Growth and Income Fund | 182,000 | 3,000 | 313,000 | N/A | 93,000 |
| Growth-Income Fund | 7,452,000 | 14,000 | 4,181,000 | 47,000 | 886,000 |
| International Growth and Income Fund | 8,000 | 2,000 | 49,000 | N/A | 55,000 |
| Washington Mutual Investors Fund | 1,913,000 | 10,000 | 917,000 | N/A | 610,000 |
| Capital Income Builder | 234,000 | 4,000 | 6,000 | N/A | 214,000 |
| Asset Allocation Fund | 4,789,000 | 14,000 | 1,301,000 | 10,000 | 2,062,000 |
| American Funds Global Balanced Fund | 29,000 | 1,000 | 45,000 | N/A | 51,000 |
| American Funds Mortgage Fund | 5,000 | 1,000 | 13,000 | N/A | 17,000 |
| American High-Income Trust | 73,000 | 1,000 | 161,000 | 2,000 | 60,000 |
| Corporate Bond Fund | N/A | N/A | N/A | N/A | N/A |
| Capital World Bond Fund | 182,000 | 10,000 | 227,000 | N/A | 21,000 |
| The Bond Fund of America | 2,070,000 | 77,000 | 820,000 | N/A | 390,000 |
| U.S. Government Securities Fund | 79,000 | 87,000 | 314,000 | 1,000 | 71,000 |
| Ultra-Short Bond Fund | 11,000 | -* | 68,000 | 1,000 | 19,000 |

* Amount less than $1,000.

**Plans of distribution —** The Series has adopted plans of distribution (the "Plans") for its Class 1A, Class 2 , Class 3 and Class 4 shares, pursuant to rule 12b-1 under the 1940 Act. As required by rule 12b-1, the Plans have been approved by a majority of the entire board of trustees, and separately by a majority of the trustees who are not "interested persons" of the Series and who have no direct or indirect financial interest in the operation of the Plans. Potential benefits of the Plans to the Series include benefits to the investment process from growth or stability of assets and maintenance of a financially healthy management organization. The selection and nomination of trustees who are not "interested persons" of the Series is committed to the discretion of the trustees who are not "interested persons" during the existence of the Plans. The Plans are reviewed quarterly and must be renewed annually by the board of trustees.

Under the Plans, the Series will pay to insurance company contract issuers .25% of each fund's average net assets annually (Class 2 and Class 4 shares) or .18% of each fund's average net assets annually (Class 3 shares) to finance any distribution activity which is primarily intended to benefit the Class 2, Class 3 and/or Class 4 shares of the Series, respectively, provided that the board of trustees of the Series has approved the categories of expenses for which payment is being made. Under the Plan for Class 1A shares, the Series may expend up to .25% of the assets of Class 1A shares; however, the board of trustees has not authorized any payments on Class 1A assets pursuant to the Plan for Class 1A shares. Payments made pursuant to the Plans will be used by insurance company contract issuers to pay a continuing annual service or distribution fee to dealers on the value of all variable annuity and variable life insurance contract payments for account-related services provided to existing shareholders. During the fiscal year ended December 31, 2025, the Series incurred distribution expenses for Class 2 shares of $145,650,000, for Class 3 shares of $905,000 and for Class 4 shares of $60,096,000 payable to certain life insurance companies under the respective Plans. Accrued and unpaid distribution expenses were $12,754,000 for Class 2 shares, $81,000 for Class 3 shares and $5,540,000 for Class 4 shares.

**Insurance administration fee —** The insurance companies for which the fund's Class 1A and Class 4 shares are available provide certain administrative services for the separate accounts that hold the shares of the fund and the contractholders for which the shares of the fund are beneficially owned as underlying investments of such contractholders annuities. These services include, but are not limited to, record maintenance, shareholder communications and transactional services.

These services are provided pursuant to Insurance Administrative Services Plans adopted by the Series relating to the fund's Class 1A and Class 4 shares. Under these plans, the insurance company receives .25% of the fund's average daily net assets attributable to Class 1A and Class 4 shares, respectively. During the fiscal year ended December 31, 2025, the Series incurred insurance administration fees of $3,084,000 for Class 1A and $60,095,000 for Class 4 shares.

## Execution of portfolio transactions

The investment adviser places orders with broker-dealers for the fund's 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. Generally, commissions relating to securities traded on foreign exchanges will be higher than commissions relating to securities traded on U.S. exchanges and may not be subject to negotiation. Equity securities may also be purchased from underwriters at prices that include underwriting fees. Purchases and sales of fixed income securities are generally made with an issuer or a primary market maker acting as principal with no stated brokerage commission. The price paid to an underwriter for fixed income securities includes underwriting fees. 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.

In selecting broker-dealers, the investment adviser strives to obtain "best execution" (the most favorable total price reasonably attainable under the circumstances) for the fund's 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 trade-off between market impact and opportunity costs. The investment adviser considers these factors, which involve qualitative judgments, when selecting broker-dealers and execution venues for fund portfolio transactions. The investment adviser views best execution as a process that should be evaluated over time as part of an overall relationship with particular broker-dealer firms. The investment adviser and its affiliates negotiate commission rates with broker-dealers based on what they believe is reasonably necessary to obtain best execution. They 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. The fund does not consider the investment adviser 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.

The investment adviser may execute portfolio transactions with broker-dealers who provide certain brokerage and/or investment research services to it but only when in the investment adviser's judgment the broker-dealer is capable of providing best execution for that transaction. The investment adviser makes 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 the investment adviser to supplement its own research and analysis and makes available the views of, and information from, individuals and the research staffs of other firms. Such views and information may be provided in the form of written reports, telephone contacts and meetings with securities analysts. These services may 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. Research services that the investment adviser receives from broker-dealers may be used by the investment adviser in servicing the fund and other funds and accounts that it advises; however, not all such services will necessarily benefit the fund.

The investment adviser bears the cost of all third-party investment research services for all client accounts it advises. However, in order to compensate certain U.S. broker-dealers for research consumed, and valued, by the investment adviser's investment professionals, the investment adviser continues to operate a limited commission sharing arrangement with commissions on equity trades for certain registered investment companies it advises. The investment adviser voluntarily reimburses such

registered investment companies for all amounts collected into the commission sharing arrangement. In order to operate the commission sharing arrangement, the investment adviser 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, the investment adviser has adopted a brokerage allocation procedure consistent with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) permits the investment adviser and its affiliates 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 the investment adviser and its affiliates, if the investment adviser and each affiliate makes a good faith determination that such commissions are reasonable in relation to the value of the services provided by such broker-dealer to the investment adviser and its affiliates in terms of that particular transaction or the investment adviser's overall responsibility to the fund and other accounts that it advises. Certain brokerage and/or investment research services may not necessarily benefit all accounts paying commissions to each such broker-dealer; therefore, the investment adviser and its affiliates assess the reasonableness of commissions in light of the total brokerage and investment research services provided to the investment adviser and its affiliates. Further, investment research services may be used by all investment associates of the investment adviser and its affiliates, regardless of whether they advise accounts with trading activity that generates eligible commissions.

In accordance with their internal brokerage allocation procedure, the investment adviser and its affiliates periodically assess the brokerage and investment research services provided by each broker-dealer and each other service provider from which they receive such services. As part of its ongoing relationships, the investment adviser 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 the investment adviser and its affiliates receive from broker-dealers and other research providers in connection with its good faith determination of reasonableness, the investment adviser and its affiliates take various factors into consideration, including the quantity, quality and usefulness of the services to the investment adviser and its affiliates. Based on this information and applying their judgment, the investment adviser 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, the investment adviser and its affiliates may, through commission sharing arrangements with certain broker-dealers, direct a portion of commissions paid to a broker-dealer by the fund and other registered investment companies managed by the investment adviser or its affiliates to be used to compensate the broker-dealer and/or other research providers for research services they provide. While the investment adviser 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 the investment adviser, any of its affiliates or any of their clients incurs any obligation to any broker-dealer to pay for research by generating trading commissions. The investment adviser and its affiliates negotiate prices for certain research that may be paid through commission sharing arrangements or by themselves with cash.

When executing portfolio transactions in the same equity security for the funds and accounts, or portions of funds and accounts, over which the investment adviser, through its equity investment divisions, has investment discretion, each investment division within the adviser and its affiliates normally aggregates its respective purchases or sales and executes them as part of the same transaction or series of transactions. When executing portfolio transactions in the same fixed income security for the fund and the other funds or accounts over which it or one of its affiliated companies has investment discretion, the investment adviser normally aggregates such purchases or sales and executes them as part of the same transaction or series of transactions. The objective of aggregating

purchases and sales of a security is to allocate executions in an equitable manner among the funds and other accounts that have concurrently authorized a transaction in such security. The investment adviser 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. The investment adviser 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 the investment adviser believes doing so will not have a material impact on the price or quality of other transactions.

The investment adviser currently owns a minority interest in IEX Group and alternative trading systems, Luminex ATS and LeveL ATS (through a minority interest in their common parent holding company). The investment adviser, or brokers with which the investment adviser places orders, 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. The investment adviser is subject to the same best execution obligations when trading on any such exchange or alternative trading systems.

Purchase and sale transactions may be effected directly among and between certain funds or accounts advised by the investment adviser or its affiliates, including the fund. The investment adviser maintains cross-trade policies and procedures and places a cross-trade only when such a trade is in the best interest of all participating clients and is not prohibited by the participating funds' or accounts' investment management agreement or applicable law.

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

Purchases and sales of futures contracts for the fund will be effected through executing brokers and FCMs that specialize in the types of futures contracts that the fund expects to hold. The investment adviser will use reasonable efforts to choose executing brokers and FCMs capable of providing the services necessary to obtain the most favorable price and execution available. The full range and quality of services available will be considered in making these determinations. The investment adviser will monitor the executing brokers and FCMs used for purchases and sales of futures contracts for their ability to execute trades based on many factors, such as the sizes of the orders, the difficulty of executions, the operational facilities of the firm involved and other factors.

Forward currency contracts are traded directly between currency traders (usually large commercial banks) and their customers. The cost to the fund of engaging in such contracts varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because such contracts are entered into on a principal basis, their prices usually include undisclosed compensation to the market maker reflecting the spread between the bid and ask prices for the contracts. The fund may incur additional fees in connection with the purchase or sale of certain contracts.

Brokerage commissions (net of any reimbursements described below) paid on portfolio transactions by each fund for the fiscal years ended December 31, 2025, 2024 and 2023 were:

| | Fiscal year ended | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| Global Growth Fund | $2,364,000 | $2,549,000 | $1,801,000 |
| SMALLCAP World Fund | 1,812,000 | 1,859,000 | 1,373,000 |
| U.S. Small and Mid Cap Equity Fund | 43,000 | —[1] | N/A |
| Growth Fund | 4,702,000 | 4,261,000 | 4,063,000 |
| EUPAC Fund | 5,501,000 | 3,939,000 | 2,519,000 |
| New World Fund | 2,270,000 | 2,324,000 | 1,348,000 |
| Capital World Growth and Income Fund | 585,000 | 493,000 | 420,000 |
| Growth-Income Fund | 4,119,000 | 6,975,000 | 4,045,000 |
| International Growth and Income Fund | 197,000 | 156,000 | 135,000 |
| Washington Mutual Investors Fund | 1,400,000 | 1,197,000 | 1,041,000 |
| Capital Income Builder | 313,000 | 275,000 | 205,000 |
| Asset Allocation Fund | 2,224,000 | 1,925,000 | 3,096,000 |
| American Funds Global Balanced Fund | 91,000 | 85,000 | 64,000 |
| American Funds Mortgage Fund | — | — | — |
| American High-Income Trust | 2,000 | 1,000 | 7,000 |
| Corporate Bond Fund | N/A | N/A | N/A |
| Capital World Bond Fund | 11,000 | —[2] | —[2] |
| The Bond Fund of America | — | — | — |
| U.S. Government Securities Fund | — | — | — |
| Ultra-Short Bond Fund | — | — | — |

[1] For the fiscal period from November 15, 2024, when the fund commenced investment operations, to December 31, 2024.

[2] Amount less than $1,000.

Changes in the dollar amount of brokerage commissions paid by each fund over the last three fiscal years resulted from changes in the volume of trading activity and/or the amount of commissions used to pay for research services through a commission sharing arrangement.

The investment adviser is reimbursing certain funds for all amounts collected into the commission sharing arrangement. For the fiscal years ended December 31, 2025, 2024 and 2023, the investment adviser reimbursed the following for commissions paid to broker-dealers through a commission sharing arrangement to compensate such broker-dealers for research services:

| | Fiscal year ended | Fiscal year ended | Fiscal year ended |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| Global Growth Fund | $43,000 | $136,000 | $ 73,000 |
| SMALLCAP World Fund | 58,000 | 67,000 | 50,000 |
| U.S. Small and Mid Cap Equity Fund | — | —* | N/A |
| Growth Fund | 467,000 | 427,000 | 496,000 |
| EUPAC Fund | 11,000 | 11,000 | 20,000 |
| New World Fund | 26,000 | 37,000 | 41,000 |
| Capital World Growth and Income Fund | 17,000 | 12,000 | 13,000 |
| Growth-Income Fund | 373,000 | 367,000 | 413,000 |
| International Growth and Income Fund | 1,000 | 2,000 | 1,000 |
| Washington Mutual Investors Fund | 170,000 | 129,000 | 145,000 |
| Capital Income Builder | 10,000 | 8,000 | 9,000 |
| Asset Allocation Fund | 211,000 | 168,000 | 508,000 |
| American Funds Global Balanced Fund | 4,000 | 3,000 | 2,000 |
| American Funds Mortgage Fund | — | — | — |
| American High-Income Trust | — | — | — |
| Corporate Bond Fund | N/A | N/A | N/A |
| Capital World Bond Fund | — | — | — |
| The Bond Fund of America | — | — | — |
| U.S. Government Securities Fund | — | — | — |
| Ultra-Short Bond Fund | — | — | — |

* For the fiscal period from November 15, 2024, when the fund commenced investment operations, to December 31, 2024.

The Series is required to disclose information regarding investments in the securities of its "regular" broker-dealers (or parent companies of its regular broker-dealers) that derive more than 15% of their revenue from broker-dealer, underwriter or investment adviser activities. A regular broker-dealer is (*a*) one of the 10 broker-dealers that received from the Series the largest amount of brokerage commissions by participating, directly or indirectly, in the Series' portfolio transactions during the Series' most recently completed fiscal year; (*b*) one of the 10 broker-dealers that engaged as principal in the largest dollar amount of portfolio transactions of the Series during the Series' most recently completed fiscal year; or (*c*) one of the 10 broker-dealers that sold the largest amount of securities of the Series during the Series' most recently completed fiscal year. At the end of the Series' most recently completed fiscal year, the Series' regular broker-dealers included Bank of America, N.A., Citigroup Inc., Deutsche Bank A.G., Goldman Sachs Group, Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, RBC Capital Markets LLC, UBS Group AG and Wells Fargo Securities, LLC. At the end of the Series' most recently completed fiscal year, the following funds held debt and/or equity securities of an affiliated company of such regular broker-dealers:

| | Affiliated company of regular broker-dealer | **Type of security** | Amount |
|---|---|---|---|
| Global Growth Fund | Citigroup Inc. | equity | $141,874,000 |
| Growth Fund | Bank of America, N.A. | equity | 500,202,000 |
| | UBS Group AG | equity | 100,498,000 |
| Capital World Growth and Income Fund | Bank of America, N.A. | equity | 8,316,000 |
| | Citigroup Inc. | equity | 12,811,000 |
| | Goldman Sachs Group, Inc. | equity | 766,000 |
| | J.P. Morgan Securities LLC | equity | 11,908,000 |
| | Morgan Stanley & Co. LLC | equity | 2,334,000 |
| Growth-Income Fund | Goldman Sachs Group, Inc. | equity | 153,172,000 |
| | J.P. Morgan Securities LLC | equity | 777,661,000 |
| | Morgan Stanley & Co. LLC | equity | 169,942,000 |
| | Wells Fargo Securities LLC | equity | 469,853,000 |
| International Growth and Income Fund | RBC Capital Markets LLC | Equity | 406,000 |
| Washington Mutual Investors Fund | Bank of America, N.A. | equity | 184,666,000 |
| | Citigroup Inc. | equity | 24,213,000 |
| | Goldman Sachs Group, Inc. | equity | 17,414,000 |
| | J.P. Morgan Securities LLC | equity | 191,110,000 |
| | Morgan Stanley & Co. LLC | equity | 51,515,000 |

| | Affiliated company of regular broker-dealer | **Type of security** | Amount |
|---|---|---|---|
| Capital Income Builder | Bank of America, N.A. | debt/equity | $1,618,000 |
| | Citigroup Inc. | debt | 222,000 |
| | Deutsche Bank A.G. | debt/equity | 2,384,000 |
| | Goldman Sachs Group, Inc. | debt | 149,000 |
| | J.P. Morgan Securities LLC | debt/equity | 26,684,000 |
| | Morgan Stanley & Co. LLC | debt/equity | 15,994,000 |
| | UBS Group AG | debt | 580,000 |
| | Wells Fargo Securities LLC | debt/equity | 11,655,000 |
| Asset Allocation Fund | Bank of America, N.A. | debt/equity | 184,137,000 |
| | Citigroup Inc. | debt/equity | 105,077,000 |
| | Deutsche Bank A.G. | debt | 10,867,000 |
| | Goldman Sachs Group, Inc. | debt/equity | 38,678,000 |
| | J.P. Morgan Securities LLC | debt/equity | 123,631,000 |
| | Morgan Stanley & Co. LLC | debt | 23,434,000 |
| | UBS Group AG | debt | 4,495,000 |
| | Wells Fargo Securities LLC | debt/equity | 141,671,000 |
| American Funds Global Balanced Fund | Citigroup Inc. | debt | 71,000 |
| | Deutsche Bank A.G. | debt | 379,000 |
| | Goldman Sachs Group, Inc. | debt | 141,000 |
| | J.P. Morgan Securities LLC | debt/equity | 3,746,000 |
| | Morgan Stanley & Co. LLC | debt/equity | 2,069,000 |
| | Wells Fargo Securities LLC | debt/equity | 926,000 |
| Capital World Bond Fund | Bank of America, N.A. | debt | 11,206,000 |
| | Deutsche Bank A.G. | debt | 5,582,000 |
| | Goldman Sachs Group, Inc. | debt | 1,061,000 |
| | J.P. Morgan Securities LLC | debt | 6,915,000 |
| | Morgan Stanley & Co. LLC | debt | 6,481,000 |
| | Wells Fargo Securities LLC | debt | 4,668,000 |

| | Affiliated company of regular broker-dealer | **Type of security** | Amount |
|---|---|---|---|
| The Bond Fund of America | Bank of America, N.A. | debt | $69,795,000 |
| | Citigroup Inc. | debt | 45,578,000 |
| | Deutsche Bank A.G. | debt | 30,253,000 |
| | Goldman Sachs Group, Inc. | debt | 94,105,000 |
| | J.P. Morgan Securities LLC | debt | 154,358,000 |
| | Morgan Stanley & Co. LLC | debt | 108,897,000 |
| | Wells Fargo Securities LLC | debt | 53,142,000 |

At the end of the Series' most recently completed fiscal year, SMALLCAP World Fund, U.S. Small and Mid Cap Equity Fund, EUPAC Fund, New World Fund, American Funds Mortgage Fund, American High-Income Trust, Corporate Bond Fund, U.S. Government Securities Fund and Ultra-Short Bond Fund did not hold securities of any of its regular broker-dealers.

## Disclosure of portfolio holdings

The Series' investment adviser, on behalf of the funds, has adopted policies and procedures with respect to the disclosure of information about the funds' portfolio securities. These policies and procedures have been reviewed by the Series' board of trustees, and compliance will be periodically assessed by the board in connection with reporting from the Series' Chief Compliance Officer.

Under these policies and procedures a complete list of portfolio holdings of each fund available for public disclosure, dated as of the end of each calendar quarter, is permitted to be posted on the Capital Group website (capitalgroup.com/afis) no earlier than the 10th day after such calendar quarter. In practice, the publicly disclosed portfolio is typically posted on the Capital Group website within 30 days after the end of the calendar quarter. The publicly disclosed portfolio may exclude certain securities when deemed to be in the best interest of the fund as permitted by applicable regulations. In addition, the fund's list of top 10 portfolio holdings measured by percentage of net assets, dated as of the end of each calendar month, is permitted to be posted on the Capital Group website no earlier than the 10th day after such month for equity securities, and no earlier than the 30$^{th}$ day after such month for fixed income securities. The fund's list of top 10 portfolio holdings for equity and fixed income securities is permitted to be posted no earlier than the 10$^{th}$ day after the final month of each calendar quarter. For multi-asset funds, the fund's list of top 10 portfolio holdings for equity and fixed income securities is permitted to be posted each month, no earlier than the 10th day after such month. Such portfolio holdings information may be disclosed to any person pursuant to an ongoing arrangement to disclose portfolio holdings information to such person no earlier than one day after the day on which the information is posted on the Capital Group website. The investment adviser may disclose individual holdings more frequently on the Capital Group website if it determines it is in the best interest of the fund.

Certain intermediaries are provided additional information about the fund's management team, including information on the fund's portfolio securities they have selected. This information is provided to larger intermediaries that require the information to make the fund available for investment on the firm's platform. Intermediaries receiving the information are required to keep it confidential and use it only to analyze the fund.

The Series' custodian, outside counsel, auditor, financial printers, proxy voting and class action claims processing service providers, pricing information vendors, consultants or agents operating under a contract with the investment adviser or its affiliates, co-litigants (such as in connection with a bankruptcy proceeding related to a fund holding) and certain other third parties described below, each of which requires portfolio holdings information for legitimate business and fund oversight purposes, may receive fund portfolio holdings information earlier. See the "General information" section in this statement of additional information for further information about the Series' custodian, outside counsel and auditor.

Each fund's portfolio holdings, dated as of the end of each calendar month, are made available to insurance companies that use the funds as underlying investments in their variable annuity contracts and variable life insurance policies. Monthly holdings are made available to help the insurance companies evaluate the funds for inclusion in the contracts and life insurance policies they offer and to evaluate and manage the insurance guarantees offered under their insurance contracts. Monthly holdings may be provided to insurance companies no earlier than the 10th day after the end of the calendar month. In practice, monthly holdings are provided within 30 days after the end of the calendar month. Monthly holdings may also be provided to the sub-adviser of the American Funds Insurance Series Managed Risk Funds. Holdings may also be disclosed more frequently to certain statistical and data collection agencies including Morningstar, Lipper, Inc., Value Line, Vickers Stock Research, Bloomberg and Thomson Financial Research. Information on certain portfolio characteristics of the funds are also provided to the insurance companies and the sub-adviser of the American Funds

Insurance Series Managed Risk Funds each business day. Intermediaries receiving the information are required to keep it confidential and use it only for the purposes described above.

Affiliated persons of the Series, including officers of the Series and employees of the investment adviser and its affiliates, who receive portfolio holdings information are subject to restrictions and limitations on the use and handling of such information pursuant to applicable codes of ethics, including requirements not to trade in securities based on confidential and proprietary investment information, to maintain the confidentiality of such information, and to pre-clear securities trades and report securities transactions activity, as applicable. For more information on these restrictions and limitations, please see the “Code of ethics” section in this statement of additional information and the Code of Ethics. Third-party service providers of the Series and other entities, as described in this statement of additional information, receiving such information are subject to confidentiality obligations and obligations that would prohibit them from trading in securities based on such information. When portfolio holdings information is disclosed other than through the Capital Group website to persons not affiliated with the Series, such persons will be bound by agreements (including confidentiality agreements) or fiduciary or other obligations that restrict and limit their use of the information to legitimate business uses only. None of the Series, its investment adviser or any of their affiliates receives compensation or other consideration in connection with the disclosure of information about portfolio securities.

Subject to board policies, the authority to disclose a fund’s portfolio holdings, and to establish policies with respect to such disclosure, resides with the appropriate investment-related committees of the Series’ investment adviser. In exercising their authority, the committees determine whether disclosure of information about the funds’ portfolio securities is appropriate and in the best interest of fund shareholders. The investment adviser has implemented policies and procedures to address conflicts of interest that may arise from the disclosure of fund holdings. For example, the investment adviser’s code of ethics specifically requires, among other things, the safeguarding of information about fund holdings and contains prohibitions designed to prevent the personal use of confidential, proprietary investment information in a way that would conflict with fund transactions. In addition, the investment adviser believes that its current policy of not selling portfolio holdings information and not disclosing such information to unaffiliated third parties until such holdings have been made public on the Capital Group website (other than to certain Series service providers and other third parties for legitimate business and fund oversight purposes) helps reduce potential conflicts of interest between fund shareholders and the investment adviser and its affiliates.

The Series’ investment adviser and its affiliates provide investment advice to individuals and financial intermediaries that have investment objectives that may be substantially similar to those of the funds. These clients also may have portfolios consisting of holdings substantially similar to those of the funds and generally have access to current portfolio holdings information for their accounts. These clients do not owe the Series’ investment adviser or the funds a duty of confidentiality with respect to disclosure of their portfolio holdings.

## Price of shares

Shares are purchased at the offering price or sold at the net asset value price next determined after the purchase or sell order is received and accepted by the Series or its designee. Orders received by the Series or authorized designee after the time of the determination of the net asset value will be entered at the next calculated offering price.

The price you pay for shares, the offering price, is based on the net asset value per share. Net asset value is computed by adding the value of a fund's investments, cash or other assets, subtracting the fund's liabilities, and dividing the result by the number of shares that are outstanding. Realized investment income and gain is included in the fund's net asset value until the ex-dividend date, when the declared dividend amount is treated as a fund liability. The net asset value is calculated once daily as of the close of regular trading on the New York Stock Exchange, normally 4 p.m. New York time, each day the New York Stock Exchange is open. If the New York Stock Exchange makes a scheduled (e.g., the day after Thanksgiving) or an unscheduled close prior to 4 p.m. New York time, the net asset value of the fund will be determined at approximately the time the New York Stock Exchange closes on that day. If on such a day market quotations and prices from third-party pricing services are not based as of the time of the early close of the New York Stock Exchange but are as of a later time (up to approximately 4 p.m. New York time), for example because the market remains open after the close of the New York Stock Exchange, those later market quotations and prices will be used in determining the fund's net asset value.

Orders in good order received after the New York Stock Exchange closes (scheduled or unscheduled) will be processed at the net asset value (plus any applicable sales charge) calculated on the following business day. The New York Stock Exchange is currently closed on weekends and on the following holidays: New Year's Day; Martin Luther King Jr. Day; Presidents' Day; Good Friday; Memorial Day; Juneteenth National Independence Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day. Each share class of the fund has a separately calculated net asset value (and share price). The fund's investment adviser delivers the net asset value every day it is calculated to each insurance company that offers such fund as an underlying investment to its variable contracts by, for example, email, direct electronic transmission or facsimile or through the systems of the National Securities Clearing Corporation.

All portfolio securities of funds managed by Capital Research and Management Company (other than American Funds U.S. Government Money Market Fund) are valued, and the net asset values per share for each share class are determined, as indicated below. The fund follows standard industry practice by typically reflecting changes in its holdings of portfolio securities on the first business day following a portfolio trade.

Equity securities, including depositary receipts, exchange-traded funds, and certain convertible preferred stocks that trade on an exchange or market, are generally valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market on which the security trades.

Fixed income securities, including short-term securities, are generally valued at evaluated prices obtained from third-party pricing vendors. Vendors value such securities based on one or more inputs that may include, among other things, benchmark yields, transactions, bids, offers, quotations from dealers and trading systems, new issues, underlying equity of the issuer, interest rate volatilities, spreads and other relationships observed in the markets among comparable securities and proprietary pricing models such as yield measures calculated using factors such as cash flows, prepayment information, default rates, delinquency and loss assumptions, financial or collateral

characteristics or performance, credit enhancements, liquidation value calculations, specific deal information and other reference data.

Forward currency contracts are valued based on the spot and forward exchange rates obtained from a third-party pricing vendor.

Futures contracts are generally valued at the official settlement price of, or the last reported sale price on, the principal exchange or market on which such instruments are traded, as of the close of business on the day the contracts are being valued or, lacking any sales, at the last available bid price.

Swaps, including interest rate swaps, total return swaps and positions in credit default swap indices, are generally valued using evaluated prices obtained from third-party pricing vendors who calculate these values based on market inputs that may include yields of the indices referenced in the instrument and the relevant curve, dealer quotes, default probabilities and recovery rates, other reference data, and terms of the contract.

Options are valued using market quotations or valuations provided by one or more pricing vendors. Similar to futures, options may also be valued at the official settlement price if listed on an exchange.

Securities and other assets for which representative market quotations are not readily available or are considered unreliable by the investment adviser are valued at fair value as determined in good faith under fair value guidelines adopted by the investment adviser and approved by the Series' board. Subject to board oversight, the Series' board has designated the fund's investment adviser to make fair valuation determinations, which are directed by a valuation committee established by the fund's investment adviser. The board receives regular reports describing fair-valued securities and the valuation methods used.

As a general principle, these guidelines consider relevant company, market and other data and considerations to determine the price that the fund might reasonably expect to receive if such fair valued securities were sold in an orderly transaction. Fair valuations may differ materially from valuations that would have been used had greater market activity occurred. The investment adviser's valuation committee considers relevant indications of value that are reasonably and timely available to it in determining the fair value to be assigned to a particular security, such as the type and cost of the security, restrictions on resale of the security, relevant financial or business developments of the issuer, actively traded similar or related securities and transactions, dealer or broker quotes, conversion or exchange rights on the security, related corporate actions, significant events occurring after the close of trading in the security and changes in overall market conditions. The valuation committee employs additional fair value procedures to address issues related to equity securities that trade principally in markets outside the United States. Such securities may trade in markets that open and close at different times, reflecting time zone differences. If significant events occur after the close of a market (and before the fund's net asset values are next determined) which affect the value of equity securities held in the fund's portfolio, appropriate adjustments from closing market prices may be made to reflect these events. Events of this type could include, for example, earthquakes and other natural disasters or significant price changes in other markets (e.g., U.S. stock markets).

Assets and liabilities, including investment securities, denominated in currencies other than U.S. dollars are translated into U.S. dollars, prior to the next determination of the net asset value of the fund's shares, at the exchange rates obtained from a third-party pricing vendor.

Each class of shares represents interests in the same portfolio of investments and is identical in all respects to each other class, except for differences relating to distribution, service and other charges and expenses, certain voting rights, differences relating to eligible investors, the designation of each class of shares, conversion features and exchange privileges. Expenses attributable to the fund, but

not to a particular class of shares, are borne by each class pro rata based on the relative aggregate net assets of the classes. Expenses directly attributable to a class of shares are borne by that class of shares. Liabilities attributable to particular share classes, such as liabilities for repurchases of fund shares, are deducted from total assets attributable to such share classes.

Net assets so obtained for each share class are then divided by the total number of shares outstanding of that share class, and the result, rounded to the nearest cent, is the net asset value per share for that class.

## Taxes and distributions

**Taxation as a regulated investment company** — The Series intends to qualify each year as a “regulated investment company” under Subchapter M of the Internal Revenue Code (“Code”) so that it will not be liable for federal tax on income and capital gains distributed to shareholders. In order to qualify as a regulated investment company, and avoid being subject to federal income taxes, the Series intends to distribute substantially all of its net investment income and realized net capital gains on a fiscal year basis, and intends to comply with other tests applicable to regulated investment companies under Subchapter M.

The Code includes savings provisions allowing the Series to cure inadvertent failures of certain qualification tests required under Subchapter M. However, should the Series fail to qualify under Subchapter M, the Series would be subject to federal, and possibly state, corporate taxes on its taxable income and gains.

The Series is subject to a set of asset diversification requirements applicable to insurance company separate accounts and their underlying funding vehicles. To satisfy these diversification requirements, as of the end of each calendar quarter or within 30 days thereafter, the Series must (*a*) be qualified as a "regulated investment company"; and (*b*) have either (*i*) no more than 55% of the total value of its assets in cash and cash equivalents, government securities and securities of other regulated investment companies; or (*ii*) no more than 55% of its total assets represented by any one investment, no more than 70% by any two investments, no more than 80% by any three investments, and no more than 90% by any four investments. For this purpose all securities of the same issuer are considered a single investment, and each agency or instrumentality of the U.S. government is treated as a separate issuer of securities. The Series intends to comply with these regulations. If the Series should fail to comply with these regulations, Contracts invested in the Series will not be treated as annuity, endowment or life insurance contracts under the Code.

The Series may declare a capital gain distribution consisting of the excess of net realized long-term capital gains over net realized short-term capital losses. Net capital gains for a fiscal year are computed by taking into account any capital loss carryforward of the Series.

Certain distributions reported by the Series as Section 163(j) interest dividends may be treated as interest income by shareholders for purposes of the tax rules applicable to interest expense limitations under Section 163(j) of the Code. Such treatment by the shareholder is generally subject to holding period requirements and other potential limitations, although the holding period requirements are generally not applicable to dividends declared by money market funds and certain other funds that declare dividends daily and pay such dividends on a monthly or more frequent basis. The amount that the Series is eligible to report as a Section 163(j) dividend for a tax year is generally limited to the excess of the Series’ business interest income over the sum of the Series’ (i) business interest expense and (ii) other deductions properly allocable to the Series’ business interest income.

**Tax consequences of investing in non-U.S. securities —** Dividend and interest income received by the Series from sources outside the United States may be subject to withholding and other taxes imposed by such foreign jurisdictions. Tax conventions between certain countries and the United States, however, may reduce or eliminate these foreign taxes. Some foreign countries impose taxes on capital gains with respect to investments by foreign investors.

Foreign currency gains and losses, including the portion of gain or loss on the sale of debt securities attributable to fluctuations in foreign exchange rates, are generally taxable as ordinary income or loss. These gains or losses may increase or decrease the amount of dividends payable by the Series to shareholders. The Series may elect to treat gain and loss on certain foreign currency contracts as capital gain and loss instead of ordinary income or loss.

If the fund invests in stock of certain passive foreign investment companies (PFICs), the fund intends to mark-to-market these securities and recognize any gains at the end of its fiscal and excise tax years. Deductions for losses are allowable only to the extent of any previously recognized gains. Both gains and losses will be treated as ordinary income or loss, and the fund is required to distribute any resulting income. If the fund is unable to identify an investment as a PFIC security and thus does not make a timely mark-to-market election, the fund may be subject to adverse tax consequences.

**Tax consequences of investing in derivatives** — The Series may enter into transactions involving derivatives, such as futures, swaps, options and forward contracts. Special tax rules may apply to these types of transactions that could defer losses to the Series, accelerate the Series' income, alter the holding period of certain securities or change the classification of capital gains. These tax rules may therefore impact the amount, timing and character of fund distributions.

**Discount —** Certain bonds acquired by the fund, such as zero coupon bonds, may be treated as bonds that were originally issued at a discount. Original issue discount represents interest for federal income tax purposes and is generally defined as the difference between the price at which a bond was issued (or the price at which it was deemed issued for federal income tax purposes) and its stated redemption price at maturity. Original issue discount is treated for federal income tax purposes as tax exempt income earned by a fund over the term of the bond, and therefore is subject to the distribution requirements of the Code. The annual amount of income earned on such a bond by a fund generally is determined on the basis of a constant yield to maturity which takes into account the semiannual compounding of accrued interest (including original issue discount). Certain bonds acquired by the fund may also provide for contingent interest and/or principal. In such a case, rules similar to those for original issue discount bonds would require the accrual of income based on an assumed yield that may exceed the actual interest payments on the bond.

Some of the bonds may be acquired by a fund on the secondary market at a discount which exceeds the original issue discount, if any, on such bonds. This additional discount constitutes market discount for federal income tax purposes. Any gain recognized on the disposition of any bond having market discount generally will be treated as taxable ordinary income to the extent it does not exceed the accrued market discount on such bond (unless a fund elects to include market discount in income in the taxable years to which it is attributable). Realized accrued market discount on obligations that pay tax-exempt interest is nonetheless taxable. Generally, market discount accrues on a daily basis for each day the bond is held by a fund at a constant rate over the time remaining to the bond's maturity. In the case of any debt instrument having a fixed maturity date of not more than one year from date of issue, the gain realized on disposition will be treated as short-term capital gain. Some of the bonds acquired by a fund with a fixed maturity date of one year or less from the date of their issuance may be treated as having original issue discount or, in certain cases, "acquisition discount" (generally, the excess of a bond's stated redemption price at maturity over its acquisition price). A fund will be required to include any such original issue discount or acquisition discount in taxable ordinary income. The rate at which such acquisition discount and market discount accrues, and is thus included in a fund's investment company taxable income, will depend upon which of the permitted accrual methods the fund elects.

## General information

**Custodian of assets —** Securities and cash owned by all funds, including proceeds from the sale of shares of the funds and of securities in the funds' portfolios, are held by State Street Bank and Trust Company, One Lincoln Street, Boston, MA 02111, as custodian. Non-U.S. securities may be held by the custodian in non-U.S. banks or securities depositories or foreign branches of U.S. banks.

**Transfer agent services —** American Funds Service Company, a wholly owned subsidiary of the investment adviser, maintains the records of each insurance company's separate account, processes purchases and redemptions of the funds' shares, acts as dividend and capital gain distribution disbursing agent, and performs other related shareholder service functions. The principal office of American Funds Service Company is located at 6455 Irvine Center Drive, Irvine, CA 92618. Transfer agent fees are paid according to a fee schedule, based on the number of accounts serviced, contained in a Shareholder Services Agreement between the Series and American Funds Service Company. American Funds Service Company was paid a fee of $19,000 for Class 1 shares, less than $1,000 for Class 1A shares, $14,000 for Class 2 shares, less than $1,000 for Class 3 shares and $4,000 for Class 4 shares for the 2025 fiscal year.

**Independent registered public accounting firm —** During the fiscal year ended December 31, 2025, PricewaterhouseCoopers LLP ("PwC"), 601 South Figueroa Street, Los Angeles, CA 90017, served as the Series' independent registered public accounting firm, providing audit services, preparation of tax returns and review of certain documents to be filed with the SEC. The financial statements and financial highlights of the Series included in this statement of additional information that are from the Series' Form N-CSR for the most recent fiscal year have been audited by PwC, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements and financial highlights are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. The selection of the Series' independent registered public accounting firm is reviewed and determined annually by the board of trustees.

On December 10, 2025, PwC was replaced by Deloitte & Touch LLP ("D&T"), which was appointed as the Series' independent registered public accounting firm for the fiscal year December 31, 2026 audits. The change in the Series' independent registered public accounting firm was approved by the Series' board of trustees, including a majority of the independent trustees, upon recommendation of the audit committee, as part of a broader effort to update board oversight and fund operations. At no point during the Series' fiscal years ended December 31, 2024 and December 31, 2025 and the subsequent interim period through February 11, 2026, were there any disagreements between management and PwC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

**Independent legal counsel —** Morgan, Lewis & Bockius LLP, One Federal Street, Boston, MA 02110-1726, serves as independent legal counsel ("counsel") for the Series and for trustees who are not interested persons (as defined by the 1940 Act) of the Series. A determination with respect to the independence of the Series' counsel will be made at least annually by the independent trustees of the Series, as prescribed by applicable 1940 Act rules.

**Prospectuses and reports to shareholders —** The Series' fiscal year ends on December 31. Contract owners are provided updated prospectuses or summary prospectuses by their insurance provider annually and at least semiannually with reports showing the funds' expenses, key statistics, holdings information and investment results (annual report only). The Series' annual financial statements for the fiscal year ended December 31, 2025 were audited by the Series' then-independent registered public accounting firm, PwC. As noted above, D&T will serve as the Series' auditor beginning with the fiscal year ending December 31, 2026.

**Code of ethics —** The Series, Capital Research and Management Company and its affiliated companies have adopted codes of ethics that allow for personal investments, including securities in which the funds of the Series may invest from time to time. These codes include a ban on acquisitions of securities pursuant to an initial public offering; restrictions on acquisitions of private placement securities; pre-clearance and reporting requirements; review of duplicate confirmation statements; annual recertification of compliance with codes of ethics; blackout periods on personal investing for certain investment personnel; a ban on short-term trading profits for investment personnel; limitations on service as a director of publicly traded companies; disclosure of personal securities transactions; and policies regarding political contributions.

**Shareholder and trustee responsibility —** Under the laws of certain states, including Massachusetts, where the Series was organized, and California, where the Series' principal office is located, shareholders of a Massachusetts business trust may, under certain circumstances, be held personally liable as partners for the obligations of the Series. However, the risk of a shareholder incurring any financial loss on account of shareholder liability is limited to circumstances in which the Series itself would be unable to meet its obligations. The declaration of trust contains an express disclaimer of shareholder liability for acts or obligations of the Series and provides that notice of the disclaimer may be given in each agreement, obligation, or instrument which is entered into or executed by the Series or trustees. The declaration of trust provides for indemnification out of Series property of any shareholder personally liable for the obligations of the Series and also provides for the Series to reimburse such shareholder for all legal and other expenses reasonably incurred in connection with any such claim or liability.

Under the declaration of trust, the trustees or officers are not liable for actions or failure to act; however, they are not protected from liability by reason of their willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office. The Series will provide indemnification to its trustees and officers as authorized by its by-laws and by the 1940 Act and the rules and regulations thereunder.

**Registration statement —** A registration statement has been filed with the Securities and Exchange Commission under the Securities Act of 1933 and the 1940 Act with respect to the Series. The prospectus and this statement of additional information do not contain all information set forth in the registration statement, its amendments and exhibits, to which reference is made for further information concerning the Series. Statements contained in the prospectus and this statement of additional information as to the content of the contracts issued through the separate accounts and other legal instruments are summaries. For a complete statement of the terms thereof, reference is made to the registration statements of the separate accounts and contracts as filed with the Securities and Exchange Commission.

**Authorized shares —** The Series was organized as a Massachusetts business trust which permits each fund of the Series to issue an unlimited number of shares of beneficial interest of one or more classes.

**Redemption of shares —** While payment of redemptions normally will be in cash, the Series' declaration of trust permits payment of the redemption price wholly or partly with portfolio securities or other fund assets under conditions and circumstances determined by the Series' board of trustees. For example, redemptions could be made in this manner if the board determined that making payments wholly in cash over a particular period would be unfair and/or harmful to other Series shareholders.

**Voting rights —** Shareholders have one vote per share owned. In accordance with current laws, it is anticipated that an insurance company issuing a variable contract that participates in a fund will request voting instructions from variable contract owners and will vote shares or other voting interests in the separate account in accordance with voting instructions received, and will vote shares or other

voting interests not received in proportion to the voting instructions received by all separate accounts. In addition, fund shares held directly by an insurance company, if any, will be voted in proportion to the voting instructions received by all separate accounts. As a result of proportional voting, the vote of a small number of contract holders could determine the outcome of a shareholder vote.

**Credit facility —** SMALLCAP World Fund, New World Fund and American High-Income Trust, together with other U.S. registered investment funds managed by Capital Research and Management Company, have entered into a committed line of credit facility pursuant to which the funds may borrow up to $1.5 billion as a source of temporary liquidity on a first-come, first-served basis. Under the credit facility, loans are generally unsecured; however, a borrowing fund must collateralize any borrowings under the facility on an equivalent basis if it has certain other collateralized borrowings.

**Financial statements —** The fund's financial statements, including the investment portfolio and the report of the fund's independent registered public accounting firm contained in the fund's Form N-CSR, are incorporated into the statement of additional information by reference to the fund's Form N-CSR as filed on March 9, 2026 (available at AFIS N-CSR 2025-12-31).

## Appendix

The following descriptions of debt security ratings are based on information provided by Moody's Investors Service, S&P Global Ratings and Fitch Ratings, Inc.

**Description of bond ratings**

**Moody's**
**Long-term rating scale**

**Aaa**
Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

**Aa**
Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

**A**
Obligations rated A are considered upper-medium grade and are subject to low credit risk.

**Baa**
Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

**Ba**
Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

**B**
Obligations rated B are considered speculative and are subject to high credit risk.

**Caa**
Obligations rated Caa are judged to be speculative and of poor standing and are subject to very high credit risk.

**Ca**
Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

**C**
Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

**Note:** Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies and securities firms.

## S&P Global Ratings

### Long-term issue credit ratings

**AAA**
An obligation rated AAA has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.

**AA**
An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.

**A**
An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.

**BBB**
An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

**BB, B, CCC, CC, and C**

Obligations rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics. BB indicates the least degree of speculation and C the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**BB**
An obligation rated BB is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.

**B**
An obligation rated B is more vulnerable to nonpayment than obligations rated BB, but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.

**CCC**
An obligation rated CCC is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.

**CC**
An obligation rated CC is currently highly vulnerable to nonpayment. The CC rating is used when a default has not occurred, but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

**C**
An obligation rated C is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.

**D**
An obligation rated D is in default or in breach of an imputed promise. For non-hybrid capital instruments, the D rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within the next five business days in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days. The D rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to D if it is subject to a distressed debt restructuring.

**Plus (+) or minus (–)**

The ratings from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

**NR**

Indicates that a rating has not been assigned or is no longer assigned.

## Fitch Ratings, Inc.

### Long-term credit ratings

**AAA**
Highest credit quality. AAA ratings denote the lowest expectation of default risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

**AA**
Very high credit quality. AA ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

**A**
High credit quality. A ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

**BBB**
Good credit quality. BBB ratings indicate that expectations of default risk are low. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity.

**BB**
Speculative. BB ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

**B**
Highly speculative. B ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

**CCC**
Substantial credit risk. Default is a real possibility.

**CC**
Very high levels of credit risk. Default of some kind appears probable.

**C**
Exceptionally high levels of credit risk. Default is imminent or inevitable, or the issuer is in standstill. Conditions that are indicative of a C category rating for an issuer include:

- The issuer has entered into a grace or cure period following nonpayment of a material financial obligation;
- The issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation; or
- Fitch Ratings otherwise believes a condition of RD or D to be imminent or inevitable, including through the formal announcement of a distressed debt exchange.

**RD**
Restricted default. RD ratings indicate an issuer that in Fitch Ratings' opinion has experienced an uncured payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding up procedure, and which has not otherwise ceased operating. This would include:

· The selective payment default on a specific class or currency of debt;

· The uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation;

· The extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; or

· Execution of a distressed debt exchange on one or more material financial obligations.

**D**
Default. D ratings indicate an issuer that in Fitch Ratings' opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding up procedure, or which has otherwise ceased business.

Default ratings are not assigned prospectively to entities or their obligations; within this context, nonpayment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a distressed debt exchange.

Imminent default typically refers to the occasion where a payment default has been intimated by the issuer, and is all but inevitable. This may, for example, be where an issuer has missed a scheduled payment, but (as is typical) has a grace period during which it may cure the payment default. Another alternative would be where an issuer has formally announced a distressed debt exchange, but the date of the exchange still lies several days or weeks in the immediate future.

In all cases, the assignment of a default rating reflects the agency's opinion as to the most appropriate rating category consistent with the rest of its universe of ratings, and may differ from the definition of default under the terms of an issuer's financial obligations or local commercial practice.

**Note:** The modifiers "+" or "–" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the AAA long-term rating category, or to categories below B.

## Description of commercial paper ratings

**Moody's**

**Global short-term rating scale**

**P-1**

Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

**P-2**

Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

**P-3**

Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

**NP**

Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

**S&P Global Ratings**

**Commercial paper ratings (highest three ratings)**

**A-1**

A short-term obligation rated A-1 is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations is extremely strong.

**A-2**

A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

**A-3**

A short-term obligation rated A-3 exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor's capacity to meet its financial commitments on the obligation.