Capital Group℠ Emerging Markets Debt Trust (US)

Unit Class DB Characteristics

July 1, 2019
Units of this fund have not been registered with or approved or disapproved by the U.S. Securities and Exchange Commission ("SEC"), nor has the SEC passed upon the accuracy or adequacy of these Characteristics. The fund is exempt from registration as an investment company under the Investment Company Act of 1940 (the "Act") and, therefore, is not subject to the requirements of the Act. Any representation to the contrary is a criminal offense.

The fund is operated and maintained by Capital Bank and Trust Company ("CB&T"). CB&T has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act ("CEA") with respect to the fund and therefore is not subject to registration or regulation as such under the CEA with respect to the fund.

See the Principal risks section for a discussion of certain risks that should be considered prior to investing in the fund.
Introduction

The Capital Group Emerging Markets Debt Trust (US) (the “Fund”) is a collective investment trust established under the Capital Group Emerging Markets Employee Benefit Investment Trust (the “Trust”). The Fund is maintained by Capital Bank and Trust Company (“CB&T” or the “Trustee”). Capital International, Inc. (“CIInc” or the “investment adviser”) serves as investment adviser to the Trustee for the Fund.

The Fund is established to pool assets of qualified retirement plans for investment purposes. This type of fund, which is maintained by banks and trust companies, is not directly available to retail investors. Each participant must also be a "qualified institutional buyer" as defined in Rule 144A of the 1933 Act.

The Trustee may establish multiple unit classes representing beneficial interests in the Fund with differing fees and/or expense arrangements. This characteristics statement is applicable to the unit class of the Fund that is designed primarily for defined-benefit retirement plans (“Unit Class DB”).

Investment objective

The investment objective of the Fund is to provide, over the long-term, a high level of total return, of which a large component is current income.

Principal investment strategies

The Fund will invest primarily in fixed-income securities of sovereign and corporate issuers: (1) in developing countries; (2) in countries rated Ba1 or lower or BB+ or lower by a nationally recognized statistical rating organization; or (3) in countries that are on an International Monetary Fund (“IMF”) program, have outstanding liabilities to the IMF, or have exited an IMF program no more than 5 years earlier. Such investments may be represented by derivative instruments.

Securities of developing country issuers are defined as those: (1) from issuers in developing countries; (2) that are denominated in developing country currencies; or (3) that are, subject to a limit of 10% of the Fund’s assets, from issuers deemed to be suitable for the Fund because they have or are expected to have significant economic exposure to developing countries (through assets, revenues, or profits). Certain factors will be considered in determining whether a country is a developing country, such as whether the country is generally considered to be a developing country by the international financial community, the overall regulatory environment, limitations or bans on foreign ownership, and foreign currency restrictions.

The Fund may invest in fixed-income securities with a wide range of maturities. The Fund may also invest up to 5% of its assets in a single corporate issuer and up to 25% of its assets in a single sovereign or sovereign-related issuer.

The Fund may invest in certain derivative instruments, such as futures contracts, swaps, and options to, among other things, provide liquidity, obtain exposure not otherwise available, manage risk, manage duration and yield curve exposure, seek to increase total return and implement investment strategies in a more efficient manner.

In addition, the Fund may enter into currency transactions, such as forward currency contracts, to hedge currency exchange rates, to increase exposure to a certain currency, or to shift exposure to currency fluctuations from one country to another.

“Fixed-income securities” include bonds (including Eurodollar and Yankee bonds), debentures, notes, securities with equity and fixed-income characteristics (such as bonds with warrants attached, convertible bonds, hybrids and certain preferred securities), cash equivalents, securities backed by mortgages and other assets, loans, pooled or collective investment vehicles made up of fixed-income securities, and other fixed-income obligations of banks, corporations and governmental authorities.

Investment limits are measured at the time of purchase, except during transition periods with unusual cash flow, such as when significant amounts of cash are allocated to or withdrawn from the Fund.
The investment adviser’s basic investment philosophy is to seek to invest in attractively priced securities that, in its opinion, represent good, long-term investment opportunities. The investment adviser believes that an important way to accomplish this is through fundamental research, which may include analysis of credit quality, general economic conditions and various quantitative measures and, in the case of corporate obligations, meeting with company executives and employees, suppliers, customers and competitors. Securities may be sold when the investment adviser believes that they no longer represent relatively attractive investment opportunities.

**Principal risks**

This section describes the principal risks associated with the Fund’s principal investment strategies. Participating plans may lose money by investing in the Fund. The likelihood of loss may be greater if investments are made for a shorter period of time. Participating plans should have a long-term perspective and be able to tolerate potentially sharp declines in value.

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

**Issuer risks** – The prices of, and the income generated by, securities held by the Fund may decline in response to various factors directly related to the issuers of such securities, including reduced demand for an issuer's goods or services, poor management performance and strategic initiatives such as mergers, acquisitions or dispositions and the market response to any such initiatives.

**Investing in bonds** – The prices of, and the income generated by, bonds and other debt securities held by the Fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities.

Rising interest rates will generally cause the prices of bonds and other fixed-income securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a security before its stated maturity, which may result in the Fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have greater sensitivity to changes in interest rates and may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other fixed-income securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a fixed-income security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality securities. Credit risk is gauged, in part, by the credit ratings of the securities in which the Fund invests. However, ratings are only the opinions of the rating agencies issuing them and are not guarantees as to credit quality or an evaluation of market risk. The Fund’s investment adviser relies on its own credit analysts to research issuers and issues in seeking to mitigate various credit and default risks.

**Investing in lower rated bonds** – Lower rated bonds and other lower rated fixed-income securities generally have higher rates of interest and involve greater risk of default or price declines due to changes in the issuer’s creditworthiness than those of higher quality fixed-income securities. The market prices of these securities may fluctuate more than the prices of higher quality fixed-income securities and may decline significantly in periods of general economic difficulty. These risks may be increased with respect to investments in junk bonds.

**Interest rate risk** – The values and liquidity of the securities held by the Fund may be affected by changing interest rates. During periods of extremely low short-term interest rates, the Fund may not be able to maintain a positive yield. Increasing rates would negatively impact the value of the securities in the Fund.

**Thinly traded securities** – There may be little trading in the secondary market for particular bonds, other debt securities or derivatives, which may make them more difficult to value, acquire or sell.
Investing outside the United States—Securities of issuers domiciled outside the United States, or with significant operations or revenues outside the United States, may lose value because of adverse political, social, economic or market developments (including social instability, regional conflicts, terrorism and war) in the countries or regions in which the issuers operate or generate revenue. These securities may also lose value due to changes in foreign currency exchange rates against the U.S. dollar and/or currencies of other countries. Issuers of these securities may be more susceptible to actions of foreign governments, such as the imposition of price controls or punitive taxes, that could adversely impact revenues. Securities markets in certain countries may be more volatile and/or less liquid than those in the United States. Investments outside the United States may also be subject to different accounting practices and different regulatory, legal and reporting standards and practices, and may be more difficult to value, than those in the United States. In addition, the value of investments outside the United States may be reduced by foreign taxes, including foreign withholding taxes on interest and dividends. Further, there may be increased risks of delayed settlement of securities purchased or sold by the Fund. The risks of investing outside the United States may be heightened in connection with investments in emerging markets.

Investing in emerging markets—Investing in emerging markets may involve risks in addition to and greater than those generally associated with investing in the securities markets of developed countries. For instance, developing countries may have less developed legal and accounting systems than those in developed countries. The governments of these countries may be less stable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect the prices of securities. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries can also be relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid, and may be more difficult to value, than securities issued in countries with more developed economies and/or markets. Less certainty with respect to security valuations may lead to additional challenges and risks in calculating the Fund’s net asset value. Additionally, there may be increased settlement risks for transactions in local securities.

Exposure to country, region, industry or sector—It is possible that the Fund may have significant exposure to a particular country, region, industry or sector. Such exposure may cause the Fund to be more impacted by risks relating to the country, region, industry or sector than a Fund without such levels of exposure. For example, if the Fund has significant exposure in a particular country, then social, economic, regulatory or other issues that negatively affect that country may have a greater impact on the Fund than on a fund that is more geographically diversified.

Currency—The prices of, and the income generated by, many fixed-income securities held by the Fund may also be affected by changes in relative currency values.

Investing in derivatives—The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds. Changes in the value of a derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and a derivative instrument may have a leveraging effect by exposing the Fund to losses significantly in excess of its initial investment. Derivatives may be difficult for the Fund to buy or sell at an opportune time or price and may be difficult to terminate or otherwise offset. The Fund’s use of derivatives may result in losses to the Fund, and investing in derivatives may reduce the Fund’s returns and increase the Fund’s price volatility. The Fund’s counterparty to a derivative transaction (including, if applicable, the Fund’s clearing broker, the derivatives exchange or the clearinghouse) may be unable or unwilling to honor its financial obligations in respect of the transaction.

Certain derivatives, repurchase and reverse repurchase transactions may be collateralized and additional cash or securities, such as U.S. Treasuries, may be held for these purposes.

Currency transactions—In addition to the risks generally associated with investing in derivative instruments, the use of certain currency transactions involves the risk that currency movements will not be accurately predicted, which could result in losses to the Fund. While entering into these could minimize the risk of loss due to a decline in the value of the hedged currency, it could also limit any potential gain that may result from an increase in the value of the currency. Additionally, use of these transactions may have a leveraging effect by exposing the Fund to potential gains and losses significantly in excess of the initial amount invested.
Management – The Fund’s investments are actively managed. Consequently, the Fund is subject to the risk that the methods and analyses employed by the investment adviser in this process may not produce the desired results. This could cause the Fund to lose value or its investment results to lag relevant benchmarks or other funds with similar objectives.

An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, entity or person.

Fees and expenses

The fee for investment advisory services is charged directly to each participating plan and therefore is not reflected in the unit value of the class. Operating expenses, including, but not limited to, custody and audit fees, are charged to the unit class and will not exceed 0.09% of average net assets of the unit class. Transaction-related costs, such as brokerage commissions, stamp duties and any other taxes are incurred by the Fund and reflected in the unit value of the class. No sales charge applies to the units of the Fund. Investment results will vary by unit class.

Management and organization

CB&T, a wholly-owned subsidiary of The Capital Group Companies, Inc., is a federally-chartered savings bank, regulated by the Office of the Comptroller of the Currency. In addition, CB&T is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. As Trustee, CB&T maintains the Fund pursuant to the Trust’s governing declaration of trust (the “Declaration of Trust”) and may engage other service providers, including affiliates, to assist in the administration and management of the Fund. CB&T has retained CIInc to serve as investment adviser to the Trustee for the Fund.

CIInc is an indirect wholly-owned subsidiary of The Capital Group Companies, Inc. CIInc is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 and provides investment advisory services to large corporate and public pension plans, financial institutions, registered investment companies, collective and common trust funds, endowments and foundations, and affiliates.

Portfolio holdings are selected based upon merit, without regard to the size of a security’s representation in, or its volatility relative to, a particular benchmark. Although participating plans may measure the Fund’s investment results against various benchmarks, the Fund is not managed to achieve a participating plan’s specific goals for investment results or benchmark risk. The composition of the Fund often differs substantially from that of the benchmarks against which the Fund’s investment results may be measured.

Administration

Valuation

The Fund’s net asset value is calculated each day the New York Stock Exchange is open for trading as of approximately 4 p.m. New York time, the normal close of regular trading (a “Business Day”). Equity securities are valued primarily on the basis of market quotations and fixed-income securities are valued primarily on the basis of evaluated prices from third party pricing services. Procedures have been adopted for making “fair value” determinations if market quotations are not readily available or are not considered reliable. The valuation policy is available upon request.

The unit value of the class is its total assets, less its liabilities, divided by the total number of its outstanding units.

Admissions and withdrawals

Admissions into and withdrawals from the Fund are governed by these Characteristics and the procedures set forth in the Declaration of Trust. Upon at least five Business Days prior written notice, admissions or withdrawals generally may be effected on any Business Day at the unit value calculated on such date. However, as described further in the Declaration of Trust, and in some cases due to the illiquidity of emerging markets securities, up to thirty (30) days notice may be required for withdrawals. Payments by wire are due on the first Business Day following the admission date. Withdrawal proceeds will be paid promptly, although for significant withdrawals or under extraordinary
circumstances, payment may be temporarily delayed or the withdrawal proceeds may be paid in portfolio securities. Significant admissions and withdrawals may be required to be effected through a temporary account, which may also delay admission into the Fund or payment of the withdrawal proceeds.

**Income and capital gains**

The net income and realized gains or losses allocated to unit class will be retained and reflected in the net asset value of the unit class.

**Custody**

JPMorgan Chase Bank is the custodian for the Fund’s portfolio holdings.

**Audit**

The Fund is audited annually by Deloitte & Touche, the independent audit firm for the Fund.

**Financial reports**

The Fund is maintained on an accrual accounting basis. The audited financial statements of the Fund are prepared annually as of December 31, the end of the Fund’s fiscal year. The Trustee files the required reports of financial condition with the U.S. Secretary of Labor. The financial statements of the Fund are provided to the trustees, sponsors or administrators of the participating plans with a certification that the reports required under ERISA have been or will be filed with the U.S. Secretary of Labor.

**Unit class structure**

The Trustee may divide the Fund into one or more classes of units representing beneficial interests in the Fund with differing fees and/or expense arrangements. These differences may be due to the types of services provided; discounts available based on factors related to assets under management; and grandfathered fee arrangements. With respect to a unit class of the Fund, each unit shall be of equal value to every other unit of the same class. This characteristics statement serves to evidence the establishment and/or existence of the Fund and the unit class designed primarily for defined-benefit retirement plans. Additional unit classes of the Fund may be available. The characteristics statements for other unit classes are maintained separately.

**Declaration of Trust**

The terms and conditions of the Declaration of Trust are incorporated herein by reference, subject to these Characteristics. Participating plans in the Fund should refer to the Declaration of Trust for a complete statement of its terms and provisions.

**Requesting information**

Characteristics statements for other unit classes of the Fund and for other funds established and maintained by the Trustee or its affiliates, as well as the Fund’s financial statements, the Declaration of Trust and the valuation policy, are available upon request.