



American Funds Update

Effective September 9, 2019 Capital Group (parent company of American Funds) announced the abrupt departure of one of its longest-tenured portfolio managers, Mark Denning, who managed portions of the American Funds Europacific, American Funds New World, and American Funds New Economy strategies. The cause of this unexpected change was initially communicated by Capital Group to be a personnel issue. No specific disclosures regarding the underlying circumstances were made by Capital Group. Our investment team continued ongoing conversations with Capital Group regarding what these changes meant for the funds' process, objective, and performance.

However, on October 21st a published investigation by the BBC provided more details pertaining to Mr. Denning's departure. The investigation revealed allegations that Mr. Denning was a beneficiary to a trust incorporated in Lichtenstein named Morebath Global Opportunities. The trust had some overlapping investments with the American Funds New Economy fund – a fund that Mr. Denning co-managed until his departure. This is seen as a conflict of interest as fund managers could use the significant assets of a fund to push up the share price of a company, benefiting their other investments at the expense of investors in the fund. Investment managers are subject to strict personal investing disclosure requirements, which are meant to prevent such conflicts of interest. They are also required to make disclosures about business activities outside of the funds they are managing, as well as any personal investments or relationships that overlap with funds they manage professionally.

According to Capital Group, they only learned of the matter after the BBC contacted them in early September. Mr. Denning's failure to disclose his connection to the trust violated Capital Group's disclosure policies. Following communication of the BBC investigation, Mr. Denning separated from Capital Group. The Cammack Retirement investment team is having ongoing dialogue with Capital Group regarding the situation. According to Capital Group's disclosures made to Cammack Retirement, based on the information they have available from their internal investigation, they do not believe there was any impact to the funds or investors. However, the structure of the trust is opaque and not every detail is transparent. Therefore, we are continuing to fully evaluate the details and information that are made available to us.

Cammack Retirement holds investment managers to the highest standards of ethics. Upon learning of the allegations, we extensively reviewed the Code of Ethics, personal investing disclosures requirements, and manager compensation structures at Capital

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Group. The misconduct is not reflective of their internal policies. However, this situation does create reputational risk for their organization and raises concerns about their risk management processes for their self-reporting disclosures. While we recognize that this is fundamentally about one individual's failure to disclose personal investments in securities that were also held in Capital Group's funds, this situation is reflective of Capital Group's internal risk controls.

Capital Group stated "We've learned from this incident and we're taking action to prevent similar situations in the future. We will assess our Code of Ethics and personal disclosure requirements, and we're committed to bolstering and enhancing our training and communication around both." As mentioned above, Cammack Retirement Group is continuing conversations with Capital Group. Meanwhile, we are placing all funds managed by Capital Group on "Watch" status to fully scrutinize the impact to investors and to evaluate the remedial actions taken by Capital Group to avoid similar situations in the future.