

## Capital Group Global Corporate Bond Fund Hedged (AU)

### Market Review

- Global investment-grade bonds outpaced sovereign debt over the month. All segments of the global bond universe made gains as hopes increased that inflation had peaked. The 10-year US Treasury yield fell 42 basis points (bps) to 3.63% while the 10-year German government bond yield dropped 21 bps to 1.93%.
- US inflation slid to 7.7% in October from 8.2% in September, falling faster than economists anticipated, with energy and food price inflation easing. The lower-than-forecast print raised expectations that the Federal Reserve (Fed) would slow the pace of interest rate tightening in December. Fed Chair Jerome Powell suggested that rates may rise by 50 bps in December, compared to 75-bps hikes following the previous four rate-setting meetings.
- Eurozone inflation fell faster than anticipated in November. Preliminary figures showed eurozone inflation dropped to 10% from 10.6% in October as energy and services price inflation slowed. The flash estimate raised hopes that eurozone inflation had peaked, increasing the chances for the European Central Bank to announce a 50-bps rate hike in December, down from the 75 bps increases following the prior two meetings.
- Japanese inflation accelerated to 3.7% in October, the highest level since early 1991. Yen weakness in October pushed up the cost of imported raw material inputs with the electricity and gas segments contributing the biggest price increases. Bank of Japan (BoJ) Governor Haruhiko Kuroda said meeting the BoJ's 2% stable inflation target would largely depend on the level of Japanese wage growth over the next fiscal year.

### Portfolio review

- Over the month, Capital Group Global Corporate Bond Fund Hedged (AU) returned 4.3%<sup>1</sup> before fees, while the index returned 4.1%<sup>2</sup>. Net of fees the fund returned 4.2%<sup>3</sup>. For the 12-month period, the fund returned -14.4%<sup>1</sup> before fees, and -14.9% after fees<sup>3</sup>, compared to the index's return of -14.9%<sup>2</sup>.
- Security selection was the biggest contributor to relative returns over November. Duration and curve positioning also added value to a lesser extent. In contrast, sector/industry allocation detracted from returns on a relative basis.
- Security selection and, to a lesser extent, a below-index holding in the banking sector lifted relative returns. Above-index holdings in **HSBC**, **NatWest Group** and **CaixaBank** were among the largest contributors at an issuer level, although below-index positions in **Bank of America**, **Goldman Sachs** and **JPMorgan Chase** were among the largest detractors.
- The choice of issuers in the consumer non-cyclical sector also boosted results on a relative basis. In particular, overweight holdings in **Philip Morris International** and **BAT Capital** were helpful, as was a non-index holding in **British American Tobacco**.
- Conversely, the selection of bonds in the communications and energy sectors had a negative impact on relative results.
- The portfolio's cash holdings also weighed on returns on a relative basis.

Index returns are shown in US dollar terms, unless otherwise stated. Sources: Capital Group, MSCI

<sup>1</sup> Returns are before management fees and expenses, in Australian dollar terms. Source: Capital Group

<sup>2</sup> Bloomberg Global Aggregate Corporate Total Return Index. Hedged to AUD. Sources: Bloomberg

<sup>3</sup> Returns are net of fees at maximum management fee, in Australian dollar terms. Source: Capital Group

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