



Capital Group Global High Income Opportunities Hedged (AU)

Market review

US bonds rose, with the Bloomberg US Aggregate Index returning 3.68% as US interest rate expectations ebbed. The 10-year Treasury yield fell 42 basis points (bps) to close November at 3.63%. Meanwhile, the yield curve became more inverted as the yield on the two-year Treasury note eased only 13 bps to 4.35%.

Within emerging market (EM) debt, US dollar-denominated debt returned 7.0% as measured by the JPMorgan EMBI Global Index. Local currency debt, as represented by the JPMorgan GBI-EM Global Diversified Index, returned 3.3% in local currency terms and 7.1% in US dollar terms.

US high yield corporate bonds returned 2.2% over the month¹. Spreads narrowed by 17 basis points (bps) to end at 449 bps (as measured by the option-adjusted spread).

Portfolio review

- For the month ended 30 November 2022, Capital Group Global High Income Opportunities Hedged (AU) returned 4.8%², while the index returned 4.2%³. Net of fees, the fund returned 4.7%⁴. For the 12-month period, the fund returned -11.4%² before fees, and -12.1% after fees⁴, compared with the index's return of -12.7%³.
- EM bonds had the largest positive impact on the portfolio's absolute returns over the month. EM hard currency government and agency bonds contributed the most, particularly holdings in Argentina and Egypt. EM local currency nominal government bonds also had a positive impact on absolute returns, led by South Africa and Ukraine, although positions in Russia and Brazil detracted. Holdings of EM corporate bonds added absolute value too, most notably in the basic industry sector where petrochemical company **Braskem Idesa** was a key contributor. In contrast, EM local currency inflation-linked bonds had little impact on overall absolute results.
- High yield corporate bonds also contributed on an absolute basis. The consumer cyclical sector was the largest contributor on an absolute basis, particularly a holding in **Melco Resorts**. The consumer non-cyclical sector also contributed to absolute returns, with a position in **Teva Pharmaceutical** among the largest contributors. While no sectors detracted on an absolute basis, party goods supplier **Party City** was the largest detractor at a security level.

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

¹ Bloomberg US Corporate High Yield 2% Issuer Capped Index. In US dollar terms. Source: Bloomberg

² Returns are before management fees and expenses, in Australian dollar terms. Source: Capital Group

³ 50% Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index hedged to AUD, 20% JPMorgan Emerging Markets Bond Index Global hedged to AUD, 20% JPMorgan Global Bond Index - Emerging Markets Global Diversified in USD hedged to AUD, 10% JPMorgan Corporate Emerging Markets Bond Index Broad Diversified hedged to AUD. Sources: Bloomberg, JPMorgan

⁴ Returns are net of fees at maximum management fee, in Australian dollar terms. Source: Capital Group

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