CAPITAL GROUP℠

August 2021
Monthly Update

Capital Group Global High Income Opportunities Hedged (AU)

Market review

- Ongoing COVID-19 vaccination programmes, huge US fiscal stimulus and major central banks' loose monetary policy have supported the global economy, leading to strong corporate earnings growth. However, the spread of the Delta variant of COVID-19, the prospect of US monetary tightening, rising geopolitical tensions in Afghanistan and further Chinese regulatory intervention against several sectors led to bouts of volatility during the month.
- Within emerging market debt, US dollar-denominated debt returned 0.9% as measured by the JPMorgan EMBI Global Index. Local-currency debt, as represented by the JPMorgan GBI-EM Global Diversified Index, returned 0.1% in local currency terms and 0.8% in US dollar terms.
- US high yield corporate bonds gained over the month, returning 0.5%[1]. Spreads tightened by 7 basis points (bps) to end at 289 bps (as measured by the option-adjusted spread).

Portfolio review

- For the month ended 31 August 2021, Capital Group Global High Income Opportunities Hedged (AU) returned 0.9%[2], while the index returned 0.7%[3]. Net of fees, the fund returned 0.9%[4]. For the 12-month period, the fund returned 8.4%[2] before fees, and 7.4% after fees[4], compared with the index's return of 6.8%[3].
- Emerging market (EM) bonds had a beneficial impact on the portfolio's absolute returns. The main positive contribution came from hard-currency government bonds and agency bonds, particularly Argentina and, to a lesser extent, Mexico; in contrast, Sri Lanka had a negative impact on the portfolio's absolute returns. EM Local-currency government bonds also had a beneficial impact on the portfolio's absolute returns over the month: Indonesia, Colombia, Malaysia and South Africa were the main positives, while Mexico slightly detracted. EM corporate bonds and local-currency inflation-linked bonds both delivered marginally positive absolute contributions.
- High yield corporate bonds had a positive impact on the portfolio's absolute returns over the month. All sectors either contributed positively or had a neutral impact. The largest positive contributions came from the communications and consumer cyclical sectors. Within the communications sector positions in **Univision Communications** and **Frontier Communications** were among the top contributors to absolute returns. A position in **Endo International** was the portfolio's top high yield corporate bond detractor from absolute returns.

Index returns are shown in US dollar terms while stock returns are total returns as shown in local currency terms, unless otherwise stated. Sources: Capital Group, Barclays Capital, JPMorgan

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

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

[3] 50% Barclays Capital 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: Barclays Capital, JPMorgan

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