

Capital Group New Perspective Fund (AU)

Market review - one month

- Global equities rallied strongly over July. Growth sectors were back in favour on hopes that the pace of future US Federal Reserve (Fed) monetary tightening may ease given signs of a slowdown in the global economy. While the Fed hiked interest rates by a further 75 basis points (bps) in July as inflation continued to accelerate, data also showed the US economy had contracted for the second consecutive quarter. The CBOE Volatility Index (VIX) ended at 21.3, down 25.7% over the month. (A VIX reading below 20 is widely viewed as an indicator of market stability.)
- All sectors in the MSCI All Country World Index advanced. In a reversal of the recent trend, cyclical sectors outpaced defensive sectors and growth stocks were ahead of their value counterparts. Information technology and consumer discretionary led while communication services and health care lagged.

Portfolio review - one month

- For the month ended 31 July 2022, Capital Group New Perspective Fund (AU) returned 7.0%¹ before fees, while the index returned 5.4%³; net of fees, the fund returned 6.9%². For the 12-month period, the fund returned -12.4%¹ before fees and -13.2%² net of fees, compared to the index's return of -5.7%³.

Relative contributors

- Consumer discretionary: Stock selection and, to a lesser extent, an above-index holding in the consumer discretionary sector contributed positively to returns. A large position in **Tesla** was beneficial as the shares soared 32% over July. The electric vehicle maker was buoyed by a pick-up in output at its Chinese factory over June alongside a good set of second-quarter results, with earnings surpassing forecasts.
- Communication services: The choice of stocks and, to a lesser extent, a below-index position in the communication services sector added to relative results. Not owning Chinese internet group **Tencent** was helpful as the stock slid 13%. Shares sold off after Tencent was sanctioned by China's State Administration for Market Regulation for the way it had previously reported acquisitions. Sentiment was additionally pressured by a recent decision by Tencent's largest shareholder to offload shares.
- Industrials: Stock selection in the industrials sector was also positive for relative returns. A position in **DSV** was helpful as the shares gained 23%. The Danish transport and logistics company reported strong first-half results, with revenue boosted by higher freight rates. DSV also upgraded its full-year 2022 guidance and unveiled a new share buyback programme.

Relative detractors

- Information technology: Both stock selection and a below-index holding in the information technology sector weighed on relative results. Having a below-index holding in technology giant **Apple** proved costly as the shares rose 19%. The stock was buoyed by better-than-anticipated earnings for the three months through June, with Apple guiding to an expected acceleration in sales for the third quarter.

- **Energy:** The choice of stocks in the energy sector detracted from relative returns. A position in **Reliance Industries** - a diversified Indian conglomerate that includes ecommerce, fintech and communications businesses as well as petrochemicals - was a negative as the stock fell 3%. Shares in the India-based conglomerate eased after the Indian government announced windfall taxes targeting oil and fuel.
- At the company level, a position in **AIA** was detrimental as the shares slid 7% over July, with sentiment on the insurer suffering from worries on the economic impact of COVID-19 restrictions in China as the local authorities continued to battle outbreaks caused by more infectious strains. There were also fresh concerns on the state of China's property market.

Positioning and Outlook

- We are living through a pivotal time in history marked by geopolitical realignment, potential structural change for financial markets and the end of a 40-year period of declining interest rates. The global economy appears to be going through a period of structural change, as well as long-term change upon which the portfolio was designed to thrive. Looking ahead, we expect a fundamentally different marketplace that is less one-dimensional and no longer driven by a small set of stocks, growth vs value, or US vs non-US.
- Against this outlook, the portfolio continues to provide exposure to long-term secular growth and near-term growth, both of which are underpinned by a broad set of resilient or defensive businesses that could provide stability in the event of an economic slowdown. The portfolio also invests in companies across a variety of industries that we believe possess strong pricing power in the context of keeping up with underlying labour/input cost inflation. It is deliberately not positioned for a single outcome or 'type' of short-term market environment and has the flexibility to invest in any type of company regardless of geography, sector, or 'style'. This structural flexibility allows for a durable outcome as portfolio managers are able to reorientate the portfolio on a multi-year basis based on long-term investment convictions.

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, MSCI

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

² Returns are net of fees at maximum management fee, in Australian dollar terms. Source: Capital Group

³ MSCI ACWI with net dividends reinvested, in Australian dollar terms. Source: MSCI

All information current as at the last business day of month of report unless otherwise noted. This communication contains sensitive and confidential information. Any use for any other purpose, and disclosure, dissemination, copying, reproduction or distribution of the information is prohibited. This communication is intended for professional investors only and should not be relied upon by retail investors. Past results are not predictive of future results. This information is neither an offer nor a solicitation to buy or sell any securities or to provide any investment service. While Capital Group uses reasonable efforts to obtain information from third-party sources which it believes to be reliable, Capital Group makes no representation or warranty as to the accuracy, reliability or completeness of the information. This communication is of a general nature, it is not intended to be comprehensive or to provide investment, tax or other advice. It has been prepared for multiple distributions and does not take account of the specific investment objectives of individual recipients and it may not be appropriate in all circumstances. This communication has been prepared by Capital International, Inc., a member of Capital Group, a company incorporated in California, United States of America. The liability of members is limited. In Australia, this communication and Capital Group New Perspective Fund (AU) (ARSN: 608 698 746) are issued by Capital Group Investment Management Limited (ACN 164 174 501 AFSL No. 443 118), a member of Capital Group, located at Level 18, 56 Pitt Street, Sydney NSW 2000 Australia. The said fund is offered only by Product Disclosure Statement (PDS), please read the PDS which is available upon request or at www.thecapitalgroup.com.au in its entirety before making an investment decision. All Capital Group trademarks are owned by The Capital Group Companies, Inc. or an affiliated company in the U.S., Australia and other countries. All other company and product names mentioned are the trademarks or registered trademarks of their respective companies. © 2022 Capital Group. All rights reserved.