

## Capital Group New Perspective Fund (AU)

### Market review - one month

- Global equities soared, boosted by lower inflation figures for both the US and the eurozone, along with a sharp decline in global interest rate expectations. Emerging markets were particularly strong, buoyed by hopes that China would ease its zero-COVID policy. The CBOE Volatility Index (VIX) ended at 20.6, down 20.5% 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 generated positive returns, led by materials as industrial metal prices rose on hopes of Chinese economic reopening. The real estate and industrials sectors were among the key beneficiaries of lower interest rate expectations. Meanwhile, energy stocks lagged the broader market advance as oil prices declined.

### Portfolio review - one month

- For the month ended 30 November 2022, Capital Group New Perspective Fund (AU) returned 3.1%<sup>1</sup> before fees, while the index returned 2.9%<sup>3</sup>; net of fees, the fund returned 3.0%<sup>2</sup>. For the 12-month period, the fund returned -15.7%<sup>1</sup> before fees and -16.5%<sup>2</sup> net of fees, compared to the index's return of -6.4%<sup>3</sup>.

### Relative contributors

- Information technology: Stock selection in the information technology sector added to relative returns. A below-index position in technology giant **Apple** was a positive as the shares lost 3%, suffering from worries that shipments of the new iPhone 14 Pro smartphone would disappoint forecasts due to supply chain disruption.
- Health care: The choice of stocks in the health care sector buoyed relative returns, although the portfolio's above-index holding was a slight detractor. A position in **Novo Nordisk** was helpful as the shares rose 8% after the pharmaceutical company beat third-quarter earnings estimates and raised full-year sales growth guidance, pointing to accelerating demand for its diabetes drugs.
- Financials: Stock selection in the financials sector also contributed positively to relative results. An above-index holding in **AIA Group** was beneficial as the shares jumped 32% over November, rallying on hopes that China would ease its zero-COVID policy and reopen its economy. The Asia focused insurer beat third-quarter earnings' forecasts helped by revenue growth in China, Singapore, Thailand and Malaysia.

### Relative detractors

- Consumer discretionary: Stock selection in the consumer discretionary sector weighed on relative returns. An above-index position in electric-vehicle maker **Tesla**, the portfolio's largest holding, was detrimental. Shares slid 14% over November, suffering from negative sentiment relating to CEO Elon Musk's acquisition of Twitter alongside signs of waning demand for Tesla cars in China.
- At the company level, a position in **Chart Industries** detracted from relative results. Shares plunged after the clean energy equipment maker agreed to acquire air and gas handling products provider Howden in a US\$4.4 billion deal, prompting concerns over increased debt and the prospect of slower revenue growth.

- A below-index holding in **NVIDIA** also hurt relative returns at the company level as the shares jumped 25%. The semiconductor designer issued well-received revenue guidance amid hopes the downturn in its gaming business had bottomed and signs its data centre segment was poised for growth.

## Positioning and Outlook

- We are living through a pivotal time marked by geopolitical realignment and the end of a 40-year period of declining interest rates. It is likely that new equity market leadership will form over the next cycle, but it does not mean 'growth investing' is dead. Looking ahead, equity markets could be less one dimensional and not driven by a small subset of stocks, different styles like growth vs. value, or geographic regions like US vs. non-US. Meanwhile, corporate earnings are likely to be a bigger driver of equity markets, representing a welcome return to fundamentals. In the near-term, some regions may experience 'healthy recessions' while others could suffer bigger contractions driven by negative supply shocks.
- Against this outlook, New Perspective continues to offer a well-balanced portfolio providing exposure to both long-term secular growth and (modest and carefully selected) economically sensitive growth, both of which are underpinned by a broad set of resilient or defensive businesses. 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 and diversification aims to provide a durable outcome as portfolio managers have the ability to reorientate the portfolio, based on long-term investment convictions, over a multi-year time horizon.

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

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

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

<sup>3</sup> MSCI ACWI with net dividends reinvested, in Australian dollar terms. Source: MSCI

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