

Capital Group New Perspective Fund (AU)

Market review - one month

- Global equities fell amid signs of persistent underlying inflation and worries over the outlook for global growth. The Federal Reserve and the European Central Bank continued to tighten interest rates, while elevated core inflation pushed up interest rate expectations. Concerns over a possible US default also weighed on shares as negotiations over the debt ceiling went to the wire. The May CBOE Volatility Index (VIX) remained below 20, closing at 18.9, despite rising 2.3% from the prior month. (A VIX reading below 20 is widely viewed as an indicator of market stability.)
- Most sectors in the MSCI All Country World Index were lower, with energy and materials lagging the most as commodity prices weakened. In contrast, information technology rallied sharply, boosted by growing interest in artificial intelligence (AI) and its applications, while communication services made more modest gains.

Portfolio review - one month

- For the month ended 31 May 2023, Capital Group New Perspective Fund (AU) returned 1.2%^{1&2} before and after fees, while the index returned 1.0%³. For the 12-month period, the fund returned 14.0%¹ before fees and 13.1%² net of fees, compared to the index's return of 11.8%³.

Relative contributors

- Communications services: Stock selection in the communication services sector boosted relative returns. An above-index position in **Meta Platforms** was helpful as shares gained 10% on positive sentiment around its drive to improve efficiency and the growing revenue potential of short-form videos.
- Industrials: The choice of stocks in the industrials sector was helpful on a relative basis. A holding in **Copart** was beneficial as shares rose 11%. The vehicle auction company beat third-quarter fiscal results forecasts, helped by year-on-year growth in total service revenue and vehicle sales.
- Energy: Both stock selection and a below-index exposure in the energy sector added relative value. In particular, not holding oil major **ExxonMobil** was supportive, with the shares losing 13% as crude oil prices sank on concerns around global economic growth and the outlook for demand.

Relative detractors

- Consumer discretionary: The selection of stocks in the consumer discretionary sector weighed on relative results. A below-index position in **Amazon** was detrimental as shares rallied 14% amid investor enthusiasm for stocks with exposure to AI. Amazon recently launched a suite of AI models that allow companies to build generative AI applications of their own.
- Health care: An above-index exposure to the health care sector detracted slightly. Holding **BeiGene** hurt as shares slid amid profit taking following especially strong returns in the prior month. First-quarter earnings were modestly ahead of analysts' forecasts though revenue marginally trailed estimates.
- Company level: A below-index position in **NVIDIA** proved costly. Shares surged 36% after the chipmaker beat first-quarter results and guidance estimates, while highlighting soaring demand for AI-related products.

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. Central banks remain focused on monetary policy to counter still-elevated inflation amid a backdrop of slowing growth momentum. Recent banking failures in the US and Europe have, however, complicated matters for monetary policy. Whilst authorities have acted swiftly to prevent contagion, these are further indications of an environment of tighter financial conditions.
- There is still a lot of uncertainty in the near-term, but opportunities for investors with longer-term outlooks are becoming clearer. 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.
- Against this outlook, the portfolio continues to offer well-balanced exposure to both long-term secular growth and 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 aim 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

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

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