

Capital Group New Perspective Fund (AU)

Market review - one month

Global equities retreated in August on worries over the outlook for the global economy. There were mounting concerns US interest rates would stay elevated for longer as Federal Reserve (Fed) chair Jerome Powell warned inflation was still too high. Meanwhile, survey data pointed to slowing growth for the US economy and a worsening downturn for the eurozone. Emerging markets equities were especially weak, with Chinese stocks selling off sharply on concerns over the country's struggling property sector and faltering economy. The August CBOE Volatility Index (VIX) remained below 20, closing at 15, up 1% from the prior month. (A VIX reading below 20 is widely viewed as an indicator of market stability.)

Most sectors of the MSCI All Country World Index were lower, with utilities, materials and financials lagging. Energy was the only sector to deliver a positive return over August.

Portfolio review - one month

For the month ended 31 August 2023, Capital Group New Perspective Fund (AU) returned 1.2%¹ before fees and 1.1%² after fees, while the index returned 1.1%³. For the 12-month period, the fund returned 23.2%¹ before fees and 22.3%² net of fees, compared to the index's return of 20.6%³.

Relative contributors

- Health care: Stock selection and, to a lesser extent, an above-index holding in the health care sector buoyed relative results. An above-index position in pharmaceutical firm **Novo Nordisk** was a bright spot as shares climbed 17% on strong clinical trial results for the obesity drug Wegovy and after it hiked full-year sales and operating profit guidance.
- Consumer staples: Stock selection in the consumer staples sector also lifted returns on a relative basis. A position in **Bunge** was a plus as shares gained 6% after the agribusiness and food company surpassed second-quarter earnings estimates and raised its full-year profits outlook.
- Industrials: The choice of stocks in the industrials sector added relative value. Holding **Caterpillar** was beneficial as shares rose 6%, trading at record highs after the maker of construction machinery and heavy equipment beat second-quarter results forecasts, with surging sales and improving profit margins.

Relative detractors

- Consumer discretionary: Stock selection in the consumer discretionary sector hurt relative returns. A below-index holding in **Amazon** proved costly as shares rose 3% after second-quarter earnings and revenue beat analysts' forecasts, with a better-than-anticipated contribution from its cloud business.
- Communication services: The choice of stocks in the communication services sector detracted slightly from relative results. An above-index position in **Meta Platforms** was a drag as shares lost 7% amid profit taking following a strong run for the stock over recent months.

- Stock level: An above-index position in **ASML** was a hindrance. Shares fell 7% against worries on the global economy and the outlook for near-term demand as well as the impact of upcoming controls on the semiconductor equipment maker's exports to China.

Positioning and outlook

- The current portfolio is well-balanced by geography, sector, style, theme and characteristic of underlying companies. This is reflective of our view that a greater breadth of equity market leadership is likely to emerge over the next cycle despite the narrowness witnessed so far this year. If and when the market does broaden out, the portfolio is well-positioned to potentially benefit from the market shift.
- It is also deliberately not positioned for a single outcome or 'type' of short-term market environment. The portfolio has exposure to both long-term secular growth and select exposure to companies in more cyclical areas that are backed by durable tailwinds. These are underpinned by a broad set of resilient or defensive businesses that could provide stable foundations. Companies with strong pricing power across a variety of industries are another focus. Even though inflation is likely to come down from recent levels, we expect it to remain persistently higher than the ultra-low and stable levels of the 2010s.

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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