

Capital Group New World Fund (AU)

Monthly market review

- Global stocks finished higher in April, helped by lower U.S. Treasury yields after the Federal Reserve reiterated its accommodative stance and investor concerns about rising inflation receded slightly. Markets were supported by hopes of a global economic recovery following the roll-out of COVID-19 vaccination programs, sizeable fiscal stimulus in the U.S. and major central banks' ultra-loose monetary policy.
- U.S. equities rallied on increasing economic optimism given a successful COVID-19 vaccination program and recent fiscal stimulus. Strong corporate earnings results and lower U.S. Treasury yields were also supportive. However, President Biden's tax plans to fund higher spending concerned investors.
- European stocks rose. After a slow start, the pace of COVID-19 inoculations accelerated in Europe. However, many countries, including Germany and France, have been affected by a third wave of virus infections, triggering stricter lockdown restrictions.
- Japanese equities fell as Prime Minister Yoshihide Suga declared another state of emergency in Tokyo and the three western prefectures of Osaka, Kyoto and Hyogo against a backdrop of rising COVID-19 cases (just three months before the Olympics) and a slow roll-out of the country's vaccination program.
- Emerging market equities rallied. Lower U.S. Treasury yields and a weaker U.S. dollar were supportive, but COVID-19 cases escalated in India, Brazil, and central and eastern Europe. Higher oil prices helped exporters of the commodity. The U.S. imposed fresh sanctions on Russia before tensions between the two nations eased slightly. Global vaccination roll-outs and loose U.S. fiscal and monetary policy remained positives for emerging markets.

Portfolio review

- For the month ended 30 April 2021, Capital Group New World Fund (AU) returned 3.1%¹ before fees and 3.0%² net of fees, while the index returned 1.1%³. For the 12-month period, the fund returned 31.3%¹ before fees and 29.7%² net of fees, compared to the index's return of 26.0%³.
- Stock selection in, and, to a lesser extent, a relatively light exposure to, the consumer discretionary sector contributed to relative returns. Notably, a holding in Sweden-based **Evolution Gaming Group** helped relative results as the online-gambling business is supporting an increasing number of online casinos around the world and continues to generate strong profit margins.
- A relatively high exposure to the health care sector also added value on a relative basis, as did stock selection in the sector, albeit to a lesser extent. In particular, biotechnology business **Zai Lab**, which develops medicines for cancer, and autoimmune and infectious diseases, was the top individual contributor to relative returns. Shares of the China-based company appreciated by 25% in April following a successful public offering of American depository shares.
- In contrast, a relatively light exposure to the materials sector was a marginal relative detractor. Not holding **China Steel**, which saw its share price rise by 52% over the month, weighed on relative returns as global demand drove up the price of iron ore.

- Stock selection in the industrials sector also hurt relative returns, though again only modestly. Detractors included the fund's lack of a holding in **LG**, which appreciated by 40% in April. The electronics manufacturer reported strong first-quarter revenue growth on the back of strong demand for TVs and other home appliances during the COVID-19 pandemic and resulting lockdowns. LG's management also announced that it expects to deliver strong top-line growth in 2021 and that the company will be closing its unprofitable smartphone business.

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 Emerging Markets Free Index with net dividends reinvested, in Australian dollar terms. Source: MSCI

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