

Capital Group New World Fund Hedged (AU)

Monthly market review

- Global stocks rallied as many of the world's largest economies reopened and government stimulus measures continued to fuel investor optimism. With COVID-19 vaccinations rolling out in the U.S., Europe and elsewhere, manufacturing activity and retail sales rose sharply, prompting some economists to raise their growth forecasts for the balance of 2021.
- U.S. equities continued to soar, closing the quarter at all-time highs. Concerns over higher inflation expectations occasionally gave markets pause but were largely outweighed by investor optimism for the improving economic outlook and the prospect of more fiscal stimulus. As the vaccine rollout gained momentum, COVID-19 cases plunged and local governments responded by lifting more restrictions on commerce and social gatherings.
- European stocks advanced as vaccination rollouts accelerated across the continent and the eurozone economy picked up steam. Boosted by ongoing government stimulus efforts, European markets largely rose in line with global equities as the major economies of the world gradually loosened pandemic-related restrictions.
- Emerging markets stocks rose, bolstered by strong demand for raw materials used to produce a wide range of goods. Most emerging markets currencies gained against the U.S. dollar. Meanwhile, inflation fears led to tighter monetary policy in some developing countries.

Three-month portfolio review

- For the three months ended 30 June 2021, Capital Group New World Fund Hedged (AU) returned 9.4%¹ before fees and 9.1%² net of fees, while the index returned 3.5%³. For the 12-month period, the fund returned 41.7%¹ before fees and 40.0%² net of fees, compared to the index's return of 33.7%³.
- **Information technology**
The selection of stocks in the sector proved positive. A large relative position in power management chips provider **Silergy** helped. Shares of the company surged 64% on the back of continued strong demand for chips and an ongoing global shortage in supply. Silergy also reported a jump in year-over-year monthly revenues for March, April and May this year.
- **Fixed income investments and cash**
The fund's portfolio managers have the flexibility to invest in debt securities of issuers with exposure to countries with developing economies and/or markets. Select fixed income holdings detracted from relative returns over Q2.

Amid a rising market, the portfolio's cash holding also detracted from relative returns.

Market outlook and portfolio positioning

- The global economy is rebounding from COVID-19 and should see a strong recovery from the 2020 downturn, fueled by massive US stimulus, commodities demand from China and accommodative monetary policies. As more vaccines are administered and lockdown measures continue to ease, global growth is poised to get a boost from pent-up demand for a number of goods and services, which is likely to lead to a temporary bump in inflation.
- As global growth accelerates this year and developed countries look to restock their supply chains, this should help support companies in developing countries that supply industrial metals and other raw materials used in basic infrastructure, as well as manufacturers of technological components and consumer goods.
- The fund takes a domicile-agnostic, revenue-focused approach to capture the full breadth of growth potential in emerging markets. We are focused on identifying individual companies that will survive the current crisis and deliver long-term growth in the years to come. A number of our key investment themes have been accelerated by the COVID-19 pandemic, including:
 - Digital disruption. Global and EM companies are positioned to benefit from the growth of mobile and online services, automation and disruption of traditional financial services companies, particularly in electronic payments.
 - EM consumers. We expect to see increasing demand for insurance, health care as well as travel and luxury goods.

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 Index, net dividend reinvested (in Australian dollars terms), hedged into Australian dollars. Source: MSCI

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