July 2021
Monthly Update

Capital Group World Dividend Growers (AU)

Market review – one month

- Global stocks advanced in July, despite the spread of the highly transmissible Delta coronavirus variant, Chinese regulatory intervention against several sectors and concerns about higher inflation. However, the global economy continued to recover, helped by ongoing COVID-19 vaccination programs, huge U.S. fiscal stimulus, major central banks' loose monetary policy and robust corporate earnings growth.
- U.S. equities rose on an improved outlook for the global economy and a strong corporate earnings season. However, a rise in COVID-19 cases in the U.S., largely due to the spread of the Delta variant and a slowdown in vaccinations, made investors cautious. The health care and real estate sectors had the strongest positive returns, while energy and financials lagged. The U.S. dollar depreciated against the British pound and the Japanese yen, but appreciated against many emerging markets currencies.
- European stocks rose on the back of a continued economic recovery in the region, helped by an accelerating vaccination program and sizable stimulus, despite the spread of the Delta variant. The information technology and real estate sectors posted the largest returns; in contrast, energy and communication services lagged the wider market. The euro was little changed against the U.S. dollar.
- Japanese equities fell. Prime Minister Yoshihide Suga declared further states of emergency in Tokyo, Osaka and various other prefectures until the end of August as Japan experienced a fifth wave of COVID-19 infections. This was just as the Olympic Games, which had been delayed by a year because of the pandemic, went ahead with strict restrictions in place, including no spectators.
- Emerging markets equities posted losses. The spread of the Delta variant and lingering concerns that higher inflation could bring forward the timing of future monetary policy tightening in the U.S. made investors less risk tolerant. The Chinese authorities' intervention against various sectors, centering on concerns about monopolistic behavior and data security, also weighed on sentiment, despite officials then seeking to limit the size of the selloff.

Portfolio review – one month

- For the month ended 31 July 2021, Capital Group World Dividend Growers (AU) returned 1.8%[1] before fees, while the index returned 2.8%[2]. Net of fees, the fund returned 1.8%[3]. For the 12-month period, the portfolio returned 25.3%[1] before fees, and 24.1%[3] after fees, compared to the index's return of 29.9%[2].
- Investments in information technology stocks detracted from relative results. Not holdings **Apple** detracted on a relative basis as its shares rose 6% over the month. Given growing worries about the spread of the Delta variant of COVID-19, the 10-year US Treasury yield fell by 25 basis points to 1.22% over the month. As a result, investors demand for growth-oriented stocks increased, including technology companies such as Apple.

- Stock selection in the materials sector also hurt relative results. Brazil-based miner **Vale** detracted on a relative basis. The miner engages in the exploration, production and sale of iron ore and nickel. Although the company said it had experienced temporary production setbacks at iron ore mines, it reported that it was on track to increase output in the second half of 2021. Vale announced record second-quarter adjusted earnings before interest, taxation, depreciation and amortisation, driven by increased sales of iron ore and improved market conditions.
- In contrast, stock selection in the financials sector contributed positively to relative returns. Most notably, shares of **Hong Kong Exchanges and Clearing (HKEX)** added value. Despite increased volatility in Hong Kong and Chinese equity markets, shares moved higher as investors weighed up whether potential regulatory changes for Chinese companies listed on US exchanges could be a positive for HKEX's listing pipeline. The company also reported trading volumes for the seven months to July 50% higher than the same period last year.
- Stock selection in the communication services sector also made a positive contribution to relative returns, as did a relatively light position in the sector. In particular, not owning China-based **Tencent Holdings** was the largest positive contributor on a relative basis. Shares in the company fell 18% in July as changes to regulations in China weighed on sentiment in technology-related stocks.

[1] Returns are before management fees and expenses. Source: Capital Group
[2] MSCI ACWI with net dividends reinvested. Source: MSCI
[3] Returns are net of fees at maximum management fee. Source: Capital Group
Capital Group World Dividend Growers (AU) became a feeder fund of Capital Group World Dividend Growers (LUX), a Luxembourg based open-ended collective investment scheme (SICAV), on 15 December 2017.