

Capital Group World Dividend Growers (AU)

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 closed 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. Manufacturing activity and retail sales rose sharply amid strong consumer demand and higher prices for everything from cars to computer chips. Unlike the U.S., eurozone inflation moved only moderately higher, climbing from 0.2% at the end of 2020 to 1% as of May 31, excluding food and energy prices.

Hong Kong equities rose. A six-quarter streak of declines in gross domestic product ended with a 7.9% year-over-year expansion in the first quarter. The IHS Markit Hong Kong Purchasing Managers Index (PMI) rose to 52.5 in May from 50.3 in April, a fourth consecutive month of improvement as Hong Kong announced an easing of its stringent COVID-19 restrictions.

Emerging markets stocks climbed, 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.

Portfolio review

The portfolio returned 7.9%¹ before fees over the quarter, while the index returned 9.0%.² Net of fees, the portfolio returned 7.6%³; the income return was 1.1%, while the price return was 6.5%.⁵

Overall, the portfolio's holdings delivered growing dividends, with 91% either raising or maintaining their dividends during the 12-month period ended 30 June 2021⁴.

Contributors and detractors

Real Estate: Stock selection was positive on a relative basis. A position in wireless infrastructure provider **Crown Castle International** was helpful as shares rose 14%.

Consumer discretionary: A below-index exposure to the sector as well as stock selection contributed positively to relative returns. Exposures to luxury good brands **Kering** and **Richemont** were beneficial as shares rose 26% and 23%, respectively. Both companies enjoyed a strong rebound in Asia, although sales remained subdued in Europe.

Information technology: Stock selection and a below-index exposure to the sector detracted from relative returns. A position in semiconductor specialist **Intel** detracted after it reported a year-on-year fall in Q1 for its data centre business. Not holding **Nvidia** also hurt as its shares rose 50%.

Utilities: An above-index exposure and stock selection weighed on relative returns. Shares in Italy-based **Enel** eased after the company reported a fall in first-quarter earnings and revenue. Electricity sales volumes fell in Spain while revenue from trading activities also declined in both Italy and Spain.

Index returns are shown in US dollar terms while stock returns are total returns as shown in local currency terms, unless otherwise stated.

¹ Returns are before management fees and expenses, in Australian dollar terms. Source: Capital Group

² MSCI ACWI with net dividends reinvested, in Australian dollar terms. Source: MSCI

³ Returns are net of fees at maximum management fee, in Australian dollar terms. Source: Capital Group

⁴ Data excludes newly held companies and companies without sufficient dividend history

⁵ Total may not reconcile due to rounding.

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.

All information current as at the last business day of month of report unless otherwise noted. This communication contains sensitive and confidential information. Any use for any other purpose, and disclosure, dissemination, copying, reproduction or distribution of the information is prohibited. This communication is intended for professional investors only and should not be relied upon by retail investors. Past results are not predictive of future results. This information is neither an offer nor a solicitation to buy or sell any securities or to provide any investment service. While Capital Group uses reasonable efforts to obtain information from sources which it believes to be reliable, Capital Group makes no representation or warranty as to the accuracy, reliability or completeness of the information. This communication is of a general nature, it is not intended to be comprehensive or to provide investment, tax or other advice. It has been prepared for multiple distributions and does not take account of the specific investment objectives of individual recipients and it may not be appropriate in all circumstances. This communication has been prepared by Capital International, Inc., a member of Capital Group, a company incorporated in California, United States of America. The liability of members is limited. In Australia, this communication and Capital Group World Dividend Growers (AU) (ARSN: 155 240 341) are issued by Capital Group Investment Management Limited (ACN 164 174 501 AFSL No. 443 118), a member of Capital Group, located at Level 18, 56 Pitt Street, Sydney NSW 2000 Australia. The said fund is offered only by Product Disclosure Statement (PDS), please read the PDS which is available upon request or at www.thecapitalgroup.com.au in its entirety before making an investment decision. All Capital Group trademarks are owned by The Capital Group Companies, Inc. or an affiliated company in the U.S., Australia and other countries. All other company and product names mentioned are the trademarks or registered trademarks of their respective companies. © 2021 Capital Group. All rights reserved.