

Capital Group World Dividend Growers (AU)

Market review

- Global stocks rose as investors welcomed signs that inflation may have peaked in key markets around the world. Consumer price increases – while still high on a historical basis – moderated in the US, Europe and many other economies, fuelling speculation that central banks might not raise interest rates as fast or as far as previously thought.
- US equities rebounded in the fourth quarter, but still finished with their worst year since 2008. Investors cheered signs that persistently high inflation may have peaked, as well as the Fed’s decision to slow its pace of interest rate hikes. The economy grew at an annualised 3.2% rate in the third quarter after declining the previous two quarters. Strong consumer spending boosted economic growth, which beat economist expectations. A strong labour market continued to support economic activity, despite the Federal Reserve’s attempts to slow activity to curb inflation.
- European stocks rallied, generating the largest gains among the world’s major developed economies. Markets bounced back from steep losses earlier in the year as inflationary pressures eased and central bank officials started reducing the magnitude of interest rate increases. With investors speculating that inflation may have peaked, the European Central Bank hiked rates by 50 basis points in December, down from 75 basis points at its two previous monetary policy meetings.
- Japanese equities rallied, breaking a four-quarter streak of declines. The MSCI Japan Index rose 13%. Financial stocks rose the most, bolstered by a Bank of Japan (BoJ) move that some investors viewed as a pivot away from its ultra-loose monetary policy.
- Emerging markets stocks rebounded, lifted by China exiting its zero-COVID policy, declining expectations for the magnitude of U.S. interest rate hikes and gains for developing world currencies against the dollar. Chinese equities notched their best quarterly return in more than two years, while Gains for Brazilian equities slowed after rising for most of the year.

Portfolio review

- The portfolio returned 8.1%¹ before fees over the quarter, while the index returned 4.1%.² Net of fees, the portfolio returned 7.9%³ over the quarter. Over a one-year period, the portfolio returned -3.9%¹ before fees, and -4.7%³ after fees, compared with the index’s return of -12.5%².

Relative contributors

- **Consumer discretionary**

Not holding electric vehicle maker **Tesla** was helpful as its shares plunged 54%, suffering from negative sentiment towards CEO Elon Musk’s acquisition of Twitter and his related sales of Tesla stock.

- **Information technology**

Not owning **Apple** was beneficial as its shares fell 6%, suffering from worries over signs of weakness in the smartphone market and the outlook for iPhone demand.

Relative detractors

- **Financials**

Shares of futures exchange operator **CME Group** dropped 3% mainly due to lower market volatility during the fourth quarter. However, its third-quarter revenue and earnings topped forecasts, helped by improved trading volumes.

- **Materials**

Shares of commodities producer **Sociedad Química y Minera de Chile** fell 21% as the price of lithium, a key input for electric vehicle car batteries, fell after a rally.

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

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.

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