CAPITAL GROUP℠

Q4 2020
Quarterly Update

Capital Group World Dividend Growers (AU)

Market review

Global stocks advanced as the rollout of coronavirus vaccines and additional government stimulus measures boosted investor sentiment across the board. All major sectors in the MSCI World Index generated positive returns, reflecting a brighter outlook for the global economy. Gains were tempered by rising COVID-19 outbreaks, prompting new lockdowns in some countries.

U.S. equities soared as multiple COVID-19 vaccines were approved, and Congress agreed on a coronavirus relief package. A US$900 billion stimulus bill was passed to help offset some of the pandemic's economic impact. The U.S. economy had grown at an annualized 33.4% in the third quarter, but the subsequent spike in infections threatened to slow the recovery.

European stocks rallied. Facing a December 31 deadline, Brexit negotiators hammered out a broad agreement governing the United Kingdom's new trading relationship with the European Union. The announcement sent the British pound soaring as the threat of a "no-deal Brexit" – which would result in a reversion to less favorable rules under the World Trade Organization – was narrowly avoided in the final days of 2020.

Asia-Pacific stocks surged on expectations of economic recovery. Japan's economy expanded, but exports remained weak. Gross domestic product rose an annualized 22.9% in the third quarter from the prior quarter, the first expansion in a year. Elsewhere, Hong Kong's economy showed signs of stabilizing. The IHS Markit Hong Kong PMI rose to 50.1 in November – the highest reading in nearly three years – from 49.8 in October.

Portfolio review

The portfolio returned 4.5%[1] before fees over the quarter, while the index returned 6.5%.[2] Net of fees, the portfolio returned 4.3%[3]; the income return was 0.6%, while the price return was 3.6%.[5]

Overall, the portfolio's holdings delivered growing dividends, with 80% either raising or maintaining their dividends during the 12-month period ended 31 December 2020[4].

Contributors and detractors

Information technology: Stock selection drove relative returns. Shares of **Taiwan Semiconductor Manufacturing Company (TSMC)** rallied after the world's largest semiconductor foundry raised its full-year revenue forecast. TSMC believes that demand tied to 5G smartphone launches and high-performance computing to may continue to drive growth.

Consumer discretionary: Not holding shares of e-commerce duo **Alibaba** and **Amazon.com** proved beneficial as the former was negatively impacted by an anti-monopoly probe while the latter lagged the market. Both companies do not pay dividends and are therefore ineligible for portfolio inclusion.

Real estate: Both an above-index sector exposure and stock selection weighed on relative results. Communications infrastructure real estate investment trust **Crown Castle International** was a key detractor as its shares fall on the market's shift from lower-beta companies to higher-growth stocks over the quarter.

Consumer staples: The market's shift towards a more 'risk-on' attitude was detrimental to investments in more defensive sectors such as consumer staples. This was aggravated by an above-index sector exposure and stock selection with UK-based conglomerate **Unilever** the key detractor as its shares ended the fourth quarter down more than 7%.

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.
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