Defensive investing in an age of disruption
A discussion through the
Capital Group New Perspective Fund (LUX)

August 2020

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Capital Group is represented by its member Capital International, Inc.

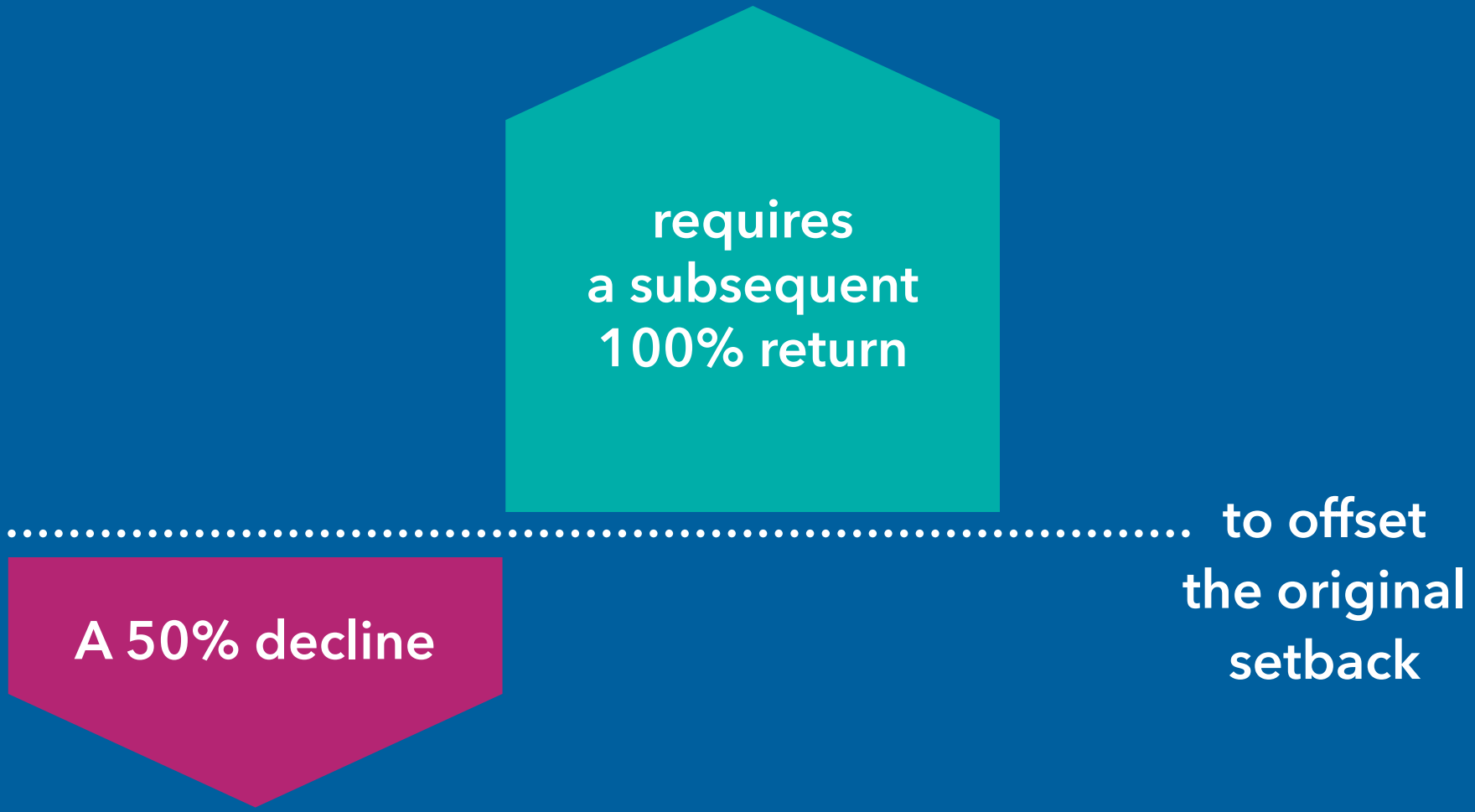
CAPITAL GROUP℠

Defensive investing in an age of disruption.

1.
Defensive equities: a historical perspective

Why invest in defensive equities?

The law of fractions



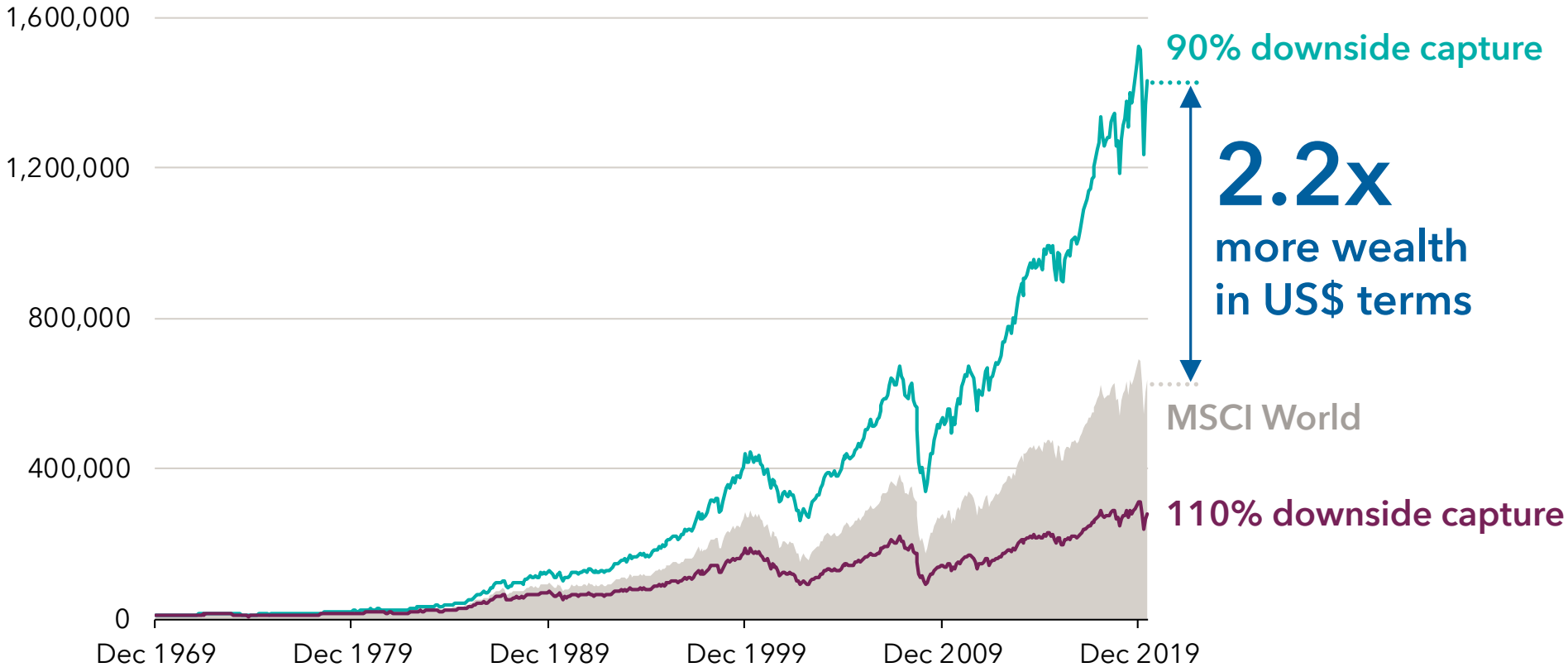
For illustrative purposes only.

Why invest in defensive equities?

Protecting on the downside is a core tenet of successful long-term investing

The impact of downside protection on long-term returns

The value of a hypothetical US$10,000 invested at launch of MSCI World[1]



For illustrative purposes only. Investors cannot invest directly in an index.

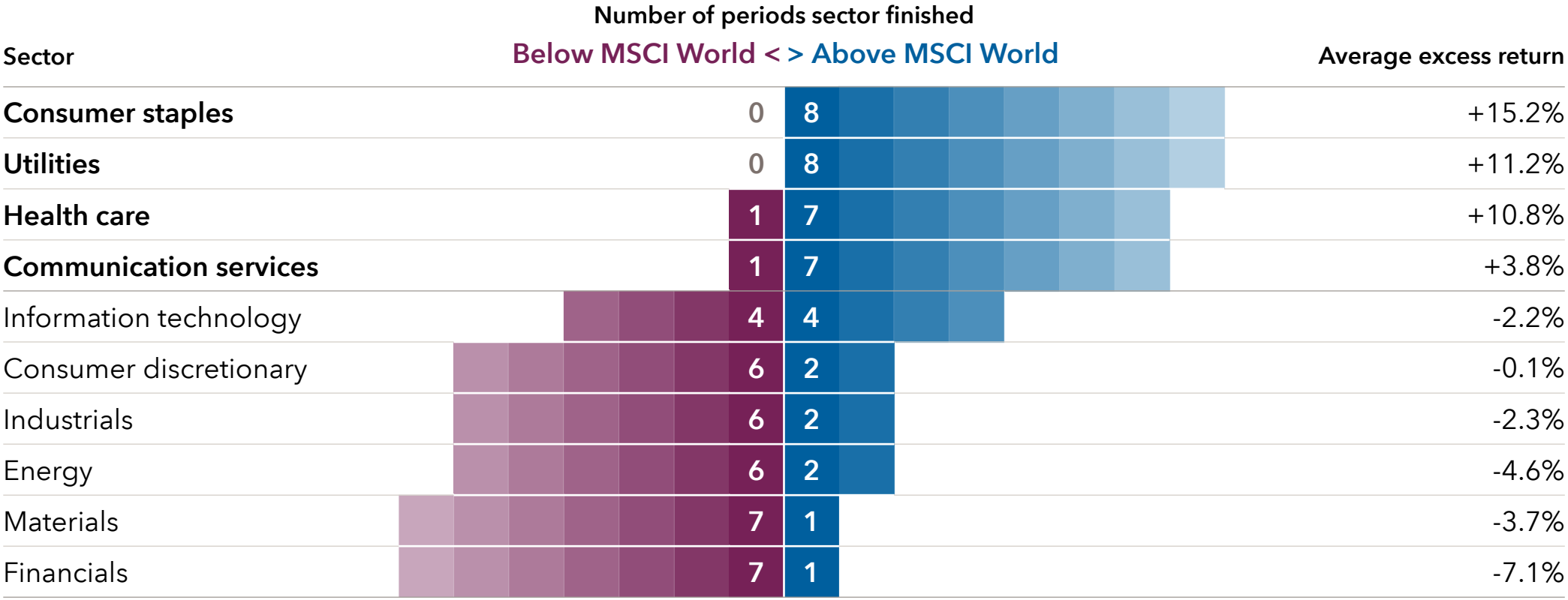
Downside capture measures monthly return during periods of negative market returns, divided by the market return. A number below 100% indicates returns above the market.

1. As at 31 May 2020. Cumulative returns in USD terms. Sources: MSCI, Capital Group

Some sectors have historically held up well in market declines

Will these 'defensive' sectors continue to serve investors well in the future?

Sector returns during the last eight market declines greater than 10%



Past results are not a guarantee of future results.
Includes the eight periods that the MSCI World Index (with net dividends reinvested) declined by more than 10% in US$ terms, using monthly periods from 30 June 1998 to 31 March 2020. Excess returns used in the calculation for average excess return versus the index are annualised for periods greater than twelve months. Before 24 September 2018, the communication services sector was called telecommunication services and the company composition was materially different. Sources: MSCI, FactSet

Are ‘defensive’ sectors a safe strategy for investors?

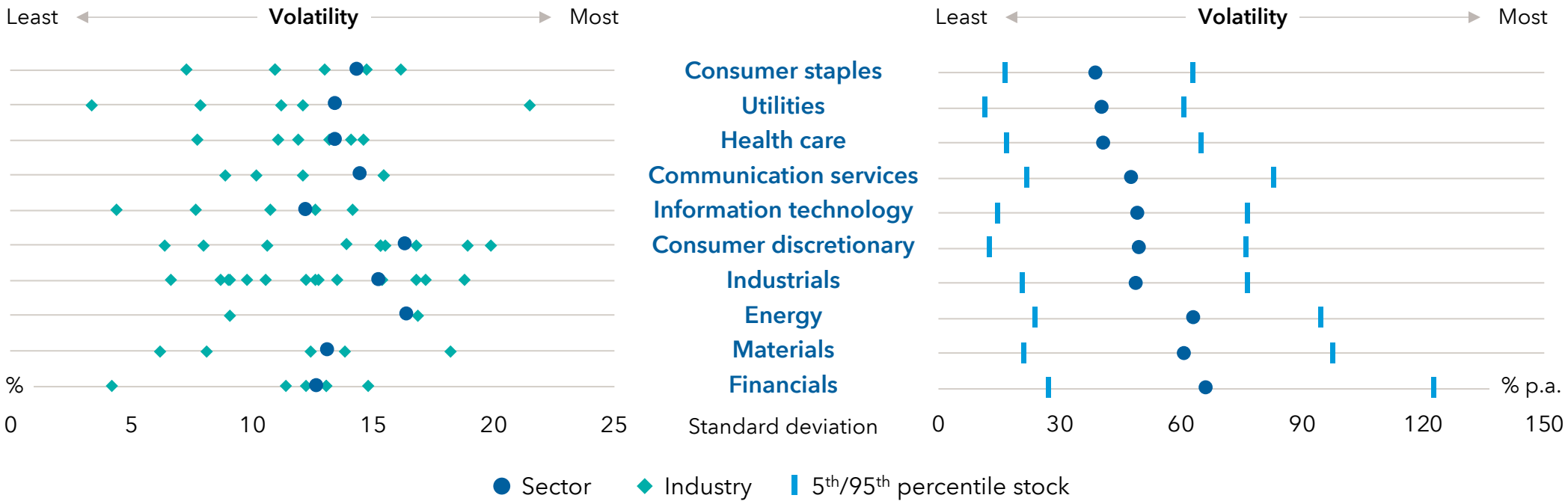
Investing in traditionally defensive sectors may ignore significant underlying return differences, especially in market downturns

Certain industries may be more or less volatile than the sector

Example: MSCI World dispersion during the COVID-19 crisis[1]

There are even greater differences at the individual stock level

Example: MSCI World dispersion during the GFC[2]



It all comes down to fundamental research on individual companies

1. COVID-19 crisis covers the peak to trough of the MSCI World Index (with net dividends reinvested) in US$ terms from 19 February 2020 to 23 March 2020. Chart shows the standard deviation of the total returns of stocks within each sector and within each industry over that time period. Sources: MSCI, FactSet
2. Global financial crisis (GFC) covers the peak to trough of the MSCI World Index (with net dividends reinvested) in US$ terms from 6 November 2007 to 9 March 2009. Chart shows the average annualised standard deviation of daily returns of stocks within each sector, as well as the 5th and 95th percentiles, over that time period. Sources: MSCI, FactSet

Case study I: TMT bubble burst, 2000-02

A valuation bubble and burst in technology stocks, but with no underlying economic recession

MSCI World sector returns (in US$)
March 2000 to September 2002

Company examples

Technology underperforms

-81% Information Technology

-78% Communication Services

Pets.com -100%

Worldcom -100%

Commodities outperform

-21% Materials

-18% Energy

BHP +13%

Eni +53%

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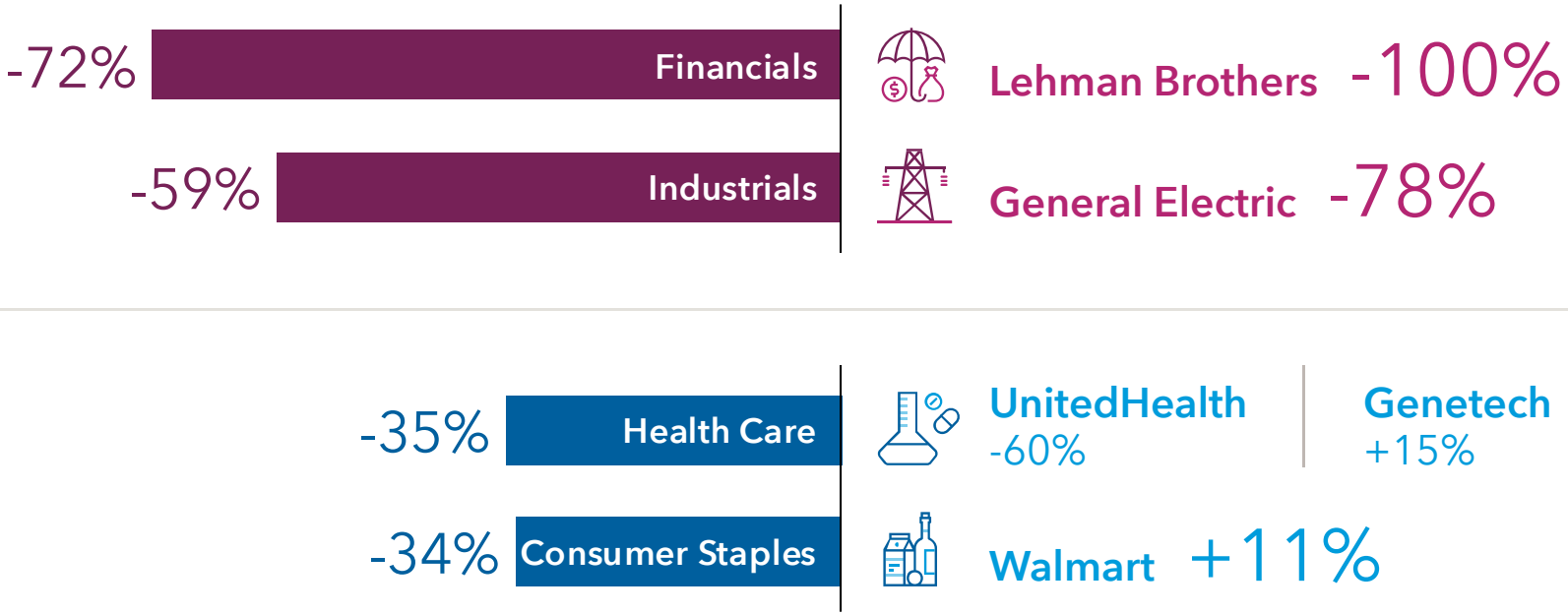
Data from 31 March 2000 to 30 September 2002. MSCI World sector returns are based on MSCI World Index (with net dividends reinvested). Sources: MSCI, FactSet

Case study II: global financial crisis, 2007-09

A housing bubble that led to a financial crisis and, ultimately, a deep economic crisis

MSCI World sector returns (in US$)
October 2007 to February 2009

Company examples



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Data from 31 October 2007 to 28 February 2009. MSCI World sector returns are based on MSCI World Index (with net dividends reinvested). Sources: MSCI, FactSet

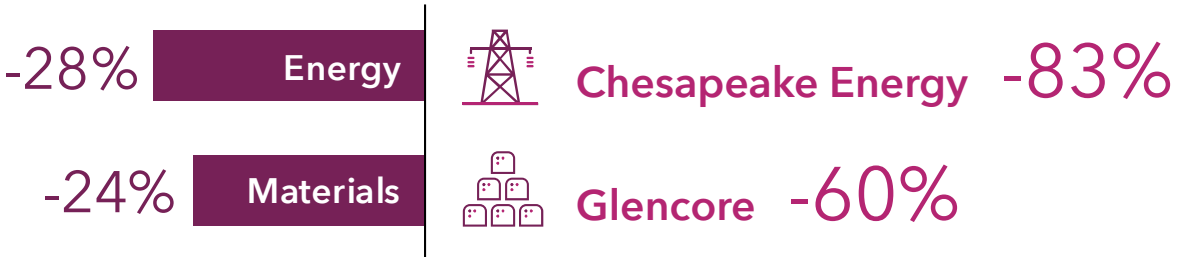
Case study III: China slowdown, 2015-16

An OECD recession caused by an economic slowdown in China

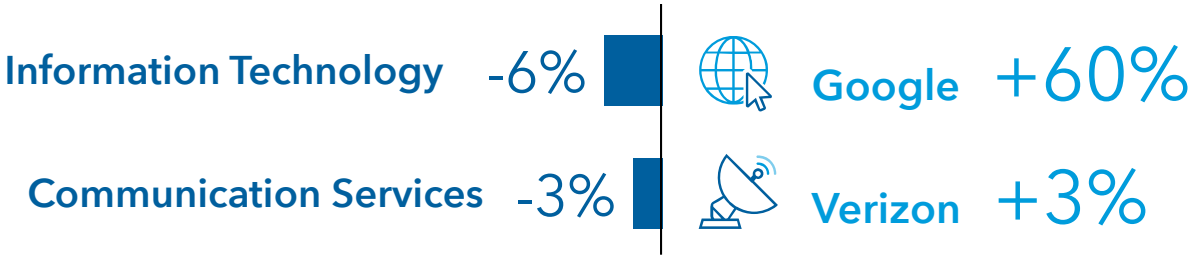
MSCI World sector returns (in US$)
April 2015 to February 2016

Company examples

Commodities underperform



Technology outperforms



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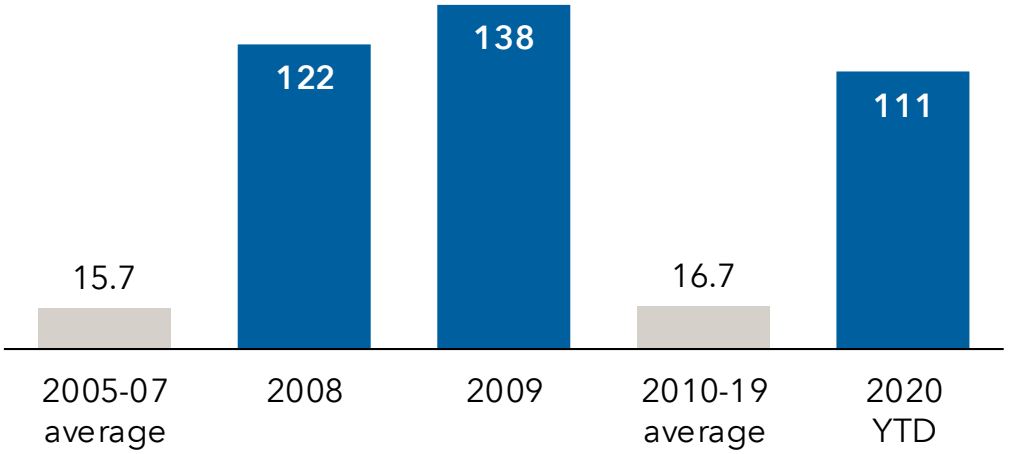
OECD: Organisation for Economic Co-operation and Development
Data from 30 April 2015 to 28 February 2016. MSCI World sector returns are based on MSCI World Index (with net dividends reinvested). Sources: MSCI, FactSet

Headwinds lie ahead for traditionally defensive equities

Defensive investors may focus on dividend-paying and value companies, and this approach may have its dangers

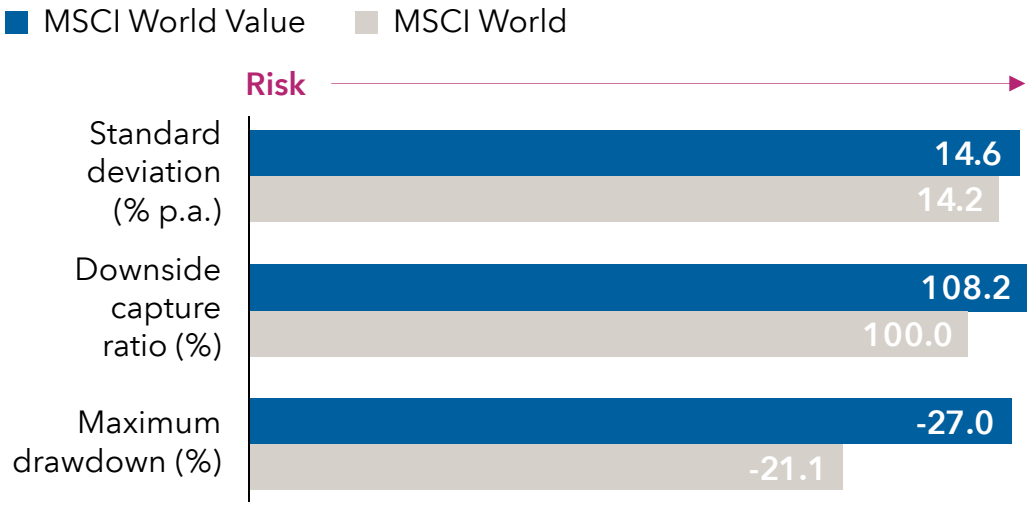
Dividends are not always assured

Number of US companies that have cut or suspended dividends[1]



Value companies are not necessarily more defensive

No longer a straightforward, less-risky decision[2]



Structural headwinds for traditional defensives and dividend payers

Oil
Potential long-term decline in global oil demand

Telecoms
High capex requirements

Tobacco
Regulation of existing and alternative tobacco products

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1. 2020 data reflected as at 23 April 2020. Source: Wolfe Research, LLC. Copyright © Wolfe Research, LLC 2020. All rights reserved.
2. Data based on monthly periods for the 10 years from 30 April 2010 to 30 April 2020. Indices used are MSCI World Value Index (with net dividends reinvested) and MSCI World Index (with net dividends reinvested) in US$ terms. Source: Morningstar Direct. Standard deviation is a measure of return dispersion. A higher number indicates higher volatility. Downside capture ratio measures monthly return during periods of negative market returns, divided by the market return. A number above 100 indicates returns below the market. Maximum drawdown is the maximum peak to trough decline over the time period. A larger negative decline indicates a worse outcome.

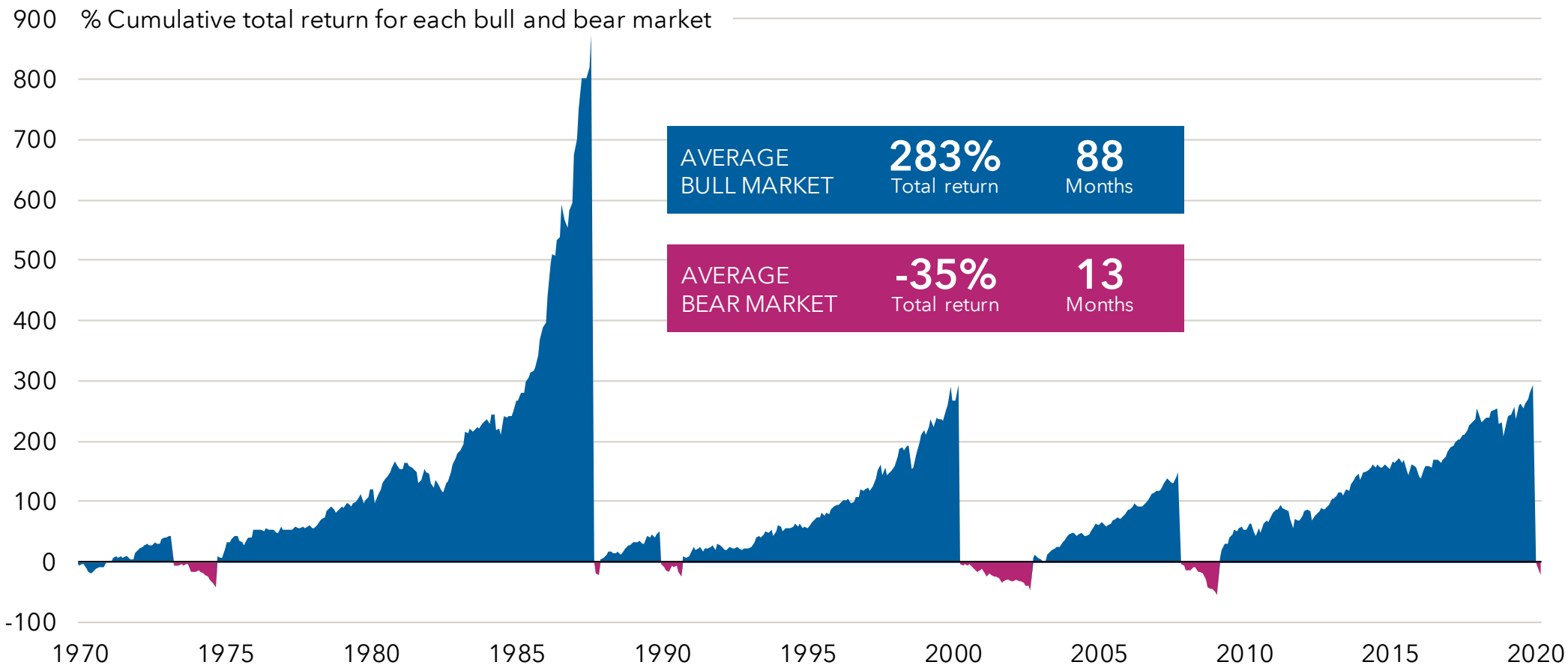
2.
A broader framework for new defensive equities

What constitutes a defensive stock?

- Less economically sensitive
- Pricing power
- Stable and predictable earnings
- Perennial demand
- Justifiable valuations

Being too defensive can be counterproductive

Market recoveries have been longer and stronger than downturns, so don't forget about upside potential



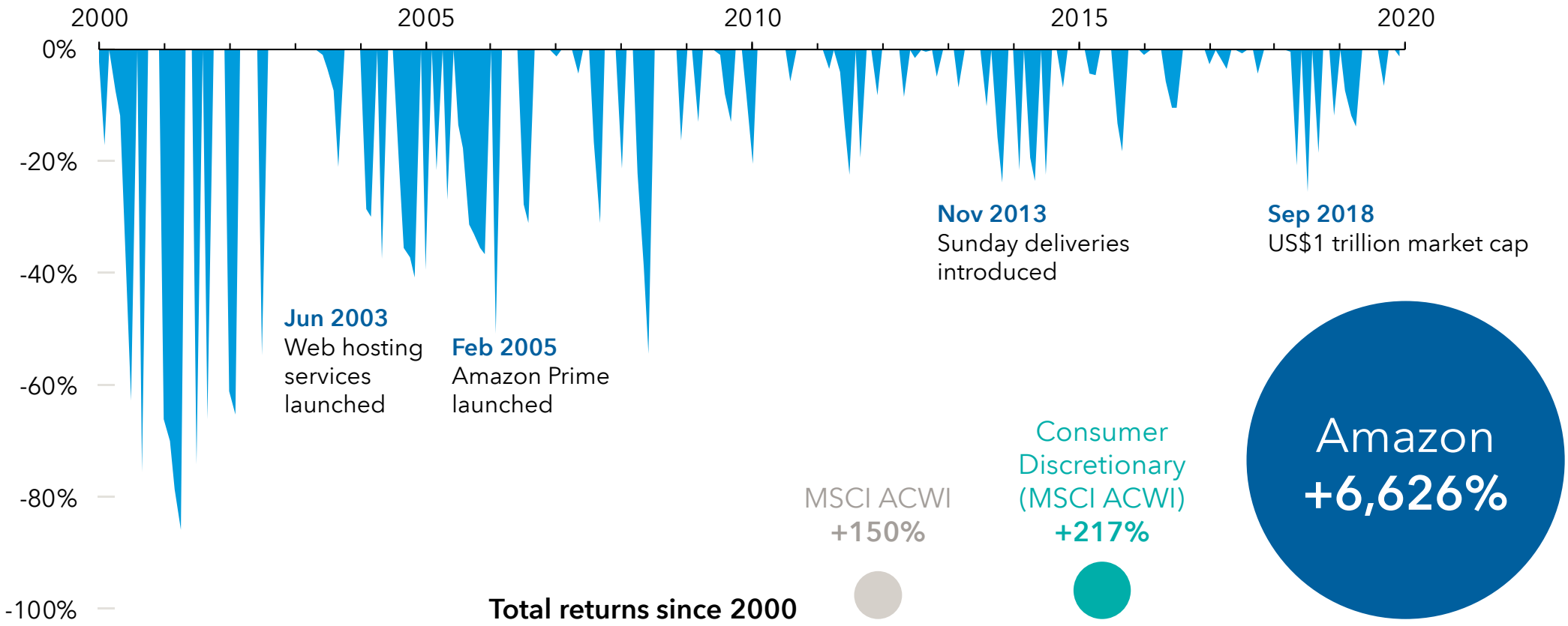
Past results are not a guarantee of future results.

Market returns shown for MSCI World Index (with net dividends reinvested) from 31 December 1969 to 31 March 2020, in USD terms. Source: MSCI. Bear markets are peak-to-trough declines of 20% or more. Bull markets are all other periods.

Growing companies may become less volatile over time

Amazon has matured into a large diversified business since its early days as a highly volatile tech stock

Amazon stock price drawdowns since 2000



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Data from 30 June 2000 to 31 May 2020, in USD terms. Total cumulative return shown for MSCI ACWI Index (with net dividends reinvested), MSCI ACWI Consumer Discretionary Index (with net dividends reinvested) and Amazon in USD. Source: Datastream.

Amazon is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020

Defensive investing in an age of disruption

Examples of emerging themes which could drive a new breed of defensive companies

New technology
driving secular growth
in total addressable market

Examples of potential
New Defensive themes

New business models
driving lower cyclicality
in earnings

New Defensives have been identified by Capital Group as potential themes that could help to drive lower volatility future earnings and share prices for companies engaged in such themes. The list of themes are not exhaustive and there is no assertion that such themes have been defensive in the past.

3.
The New Defensives in an age of disruption

Defensive investing in an age of disruption

Examples of emerging themes which could drive a new breed of defensive companies

New technology
driving secular growth
in total addressable market

New business models
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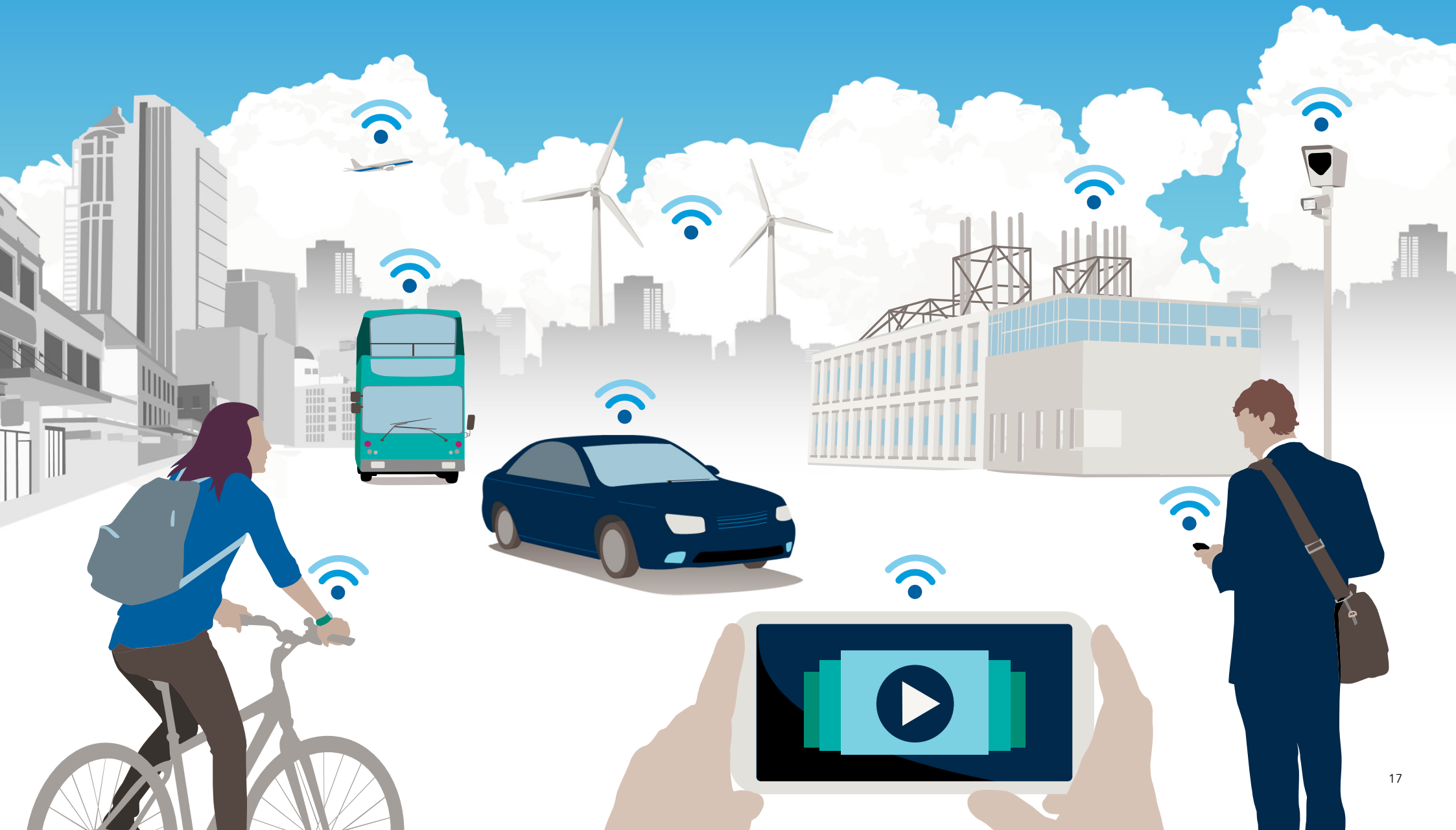
New Defensives have been identified by Capital Group as potential themes that could help to drive lower volatility future earnings and share prices for companies engaged in such themes. The list of themes are not exhaustive and there is no assertion that such themes have been defensive in the past.

The new defensives: connectivity enablers

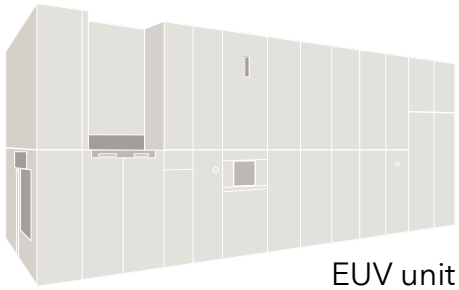
The world is becoming more connected and there are certain companies at the heart of it



The new defensives: connectivity enablers

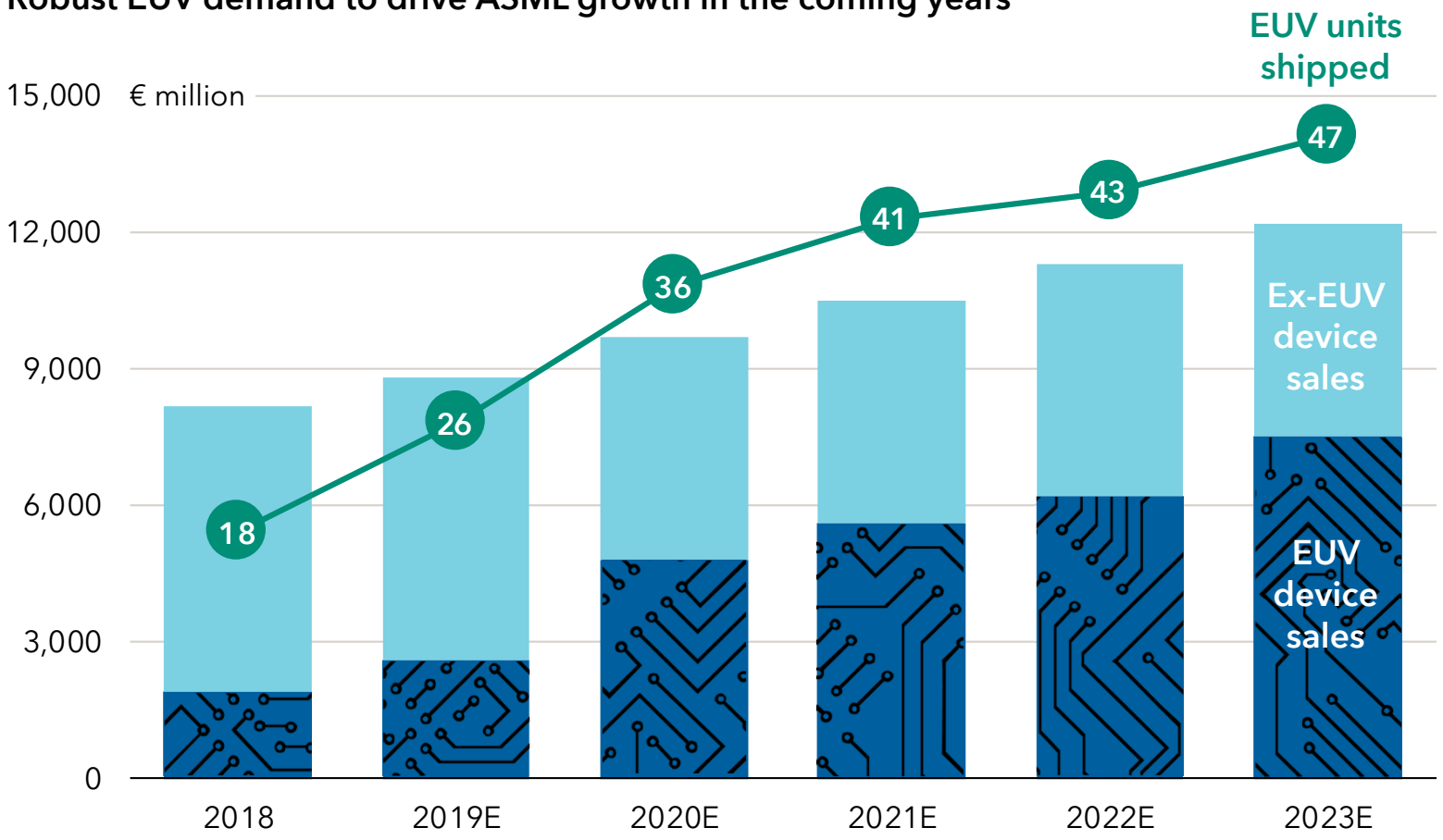
Semiconductor manufacturers: the enablers of the enablers

ASML is the only maker of extreme ultraviolet (EUV) lithography machines used in the fabrication of next generation chips for the Internet of Things



EUV unit

Robust EUV demand to drive ASML growth in the coming years



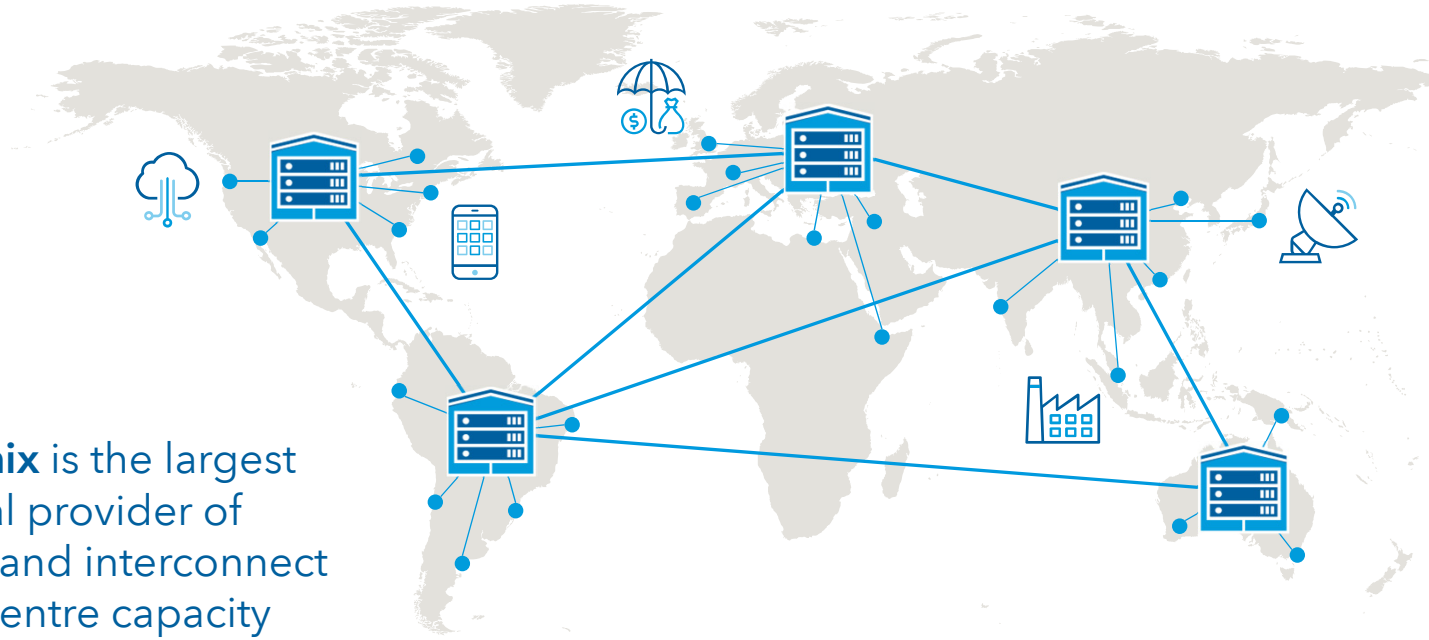
Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

Internet of Things: Refers to a network of physical objects or 'things' embedded with technology to collect and transmit information. As at December 2019. Source: ASML

ASML is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: connected everything enablers

Datacentres are critical in facilitating the exchange of data between companies across different industries and regions



Equinix is the largest global provider of retail and interconnect datacentre capacity

- Broad geographic footprint attractive for global customers
- Agile investments in in future global hubs
- Proprietary market intelligence used for capital allocation

210 datacentres

370,000+ interconnections

9,700+ customers

>99.9999% reliability

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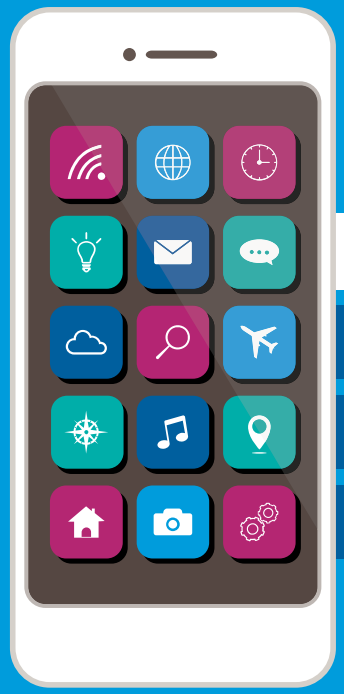
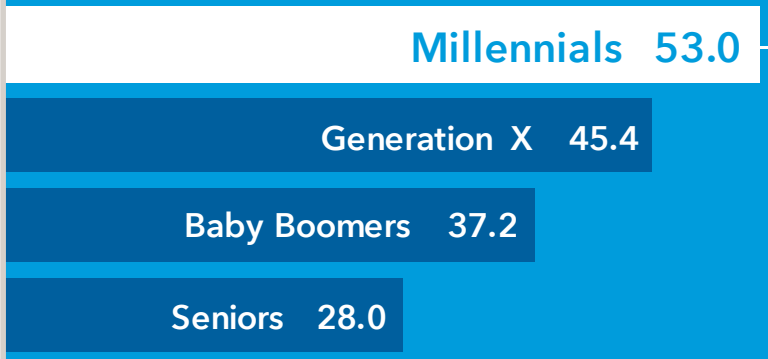
As at 31 December 2019. Source: Equinix
Equinix is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: next generation utilities

The millennial generation could redefine the definition of a utility



Weekly time spent online[1]
Hours



91%
of millennials claim to have a healthy relationship with tech[2] …

150
… but check their phone around 150 times per day[3]

30%
of Facebook users are millennials[4]

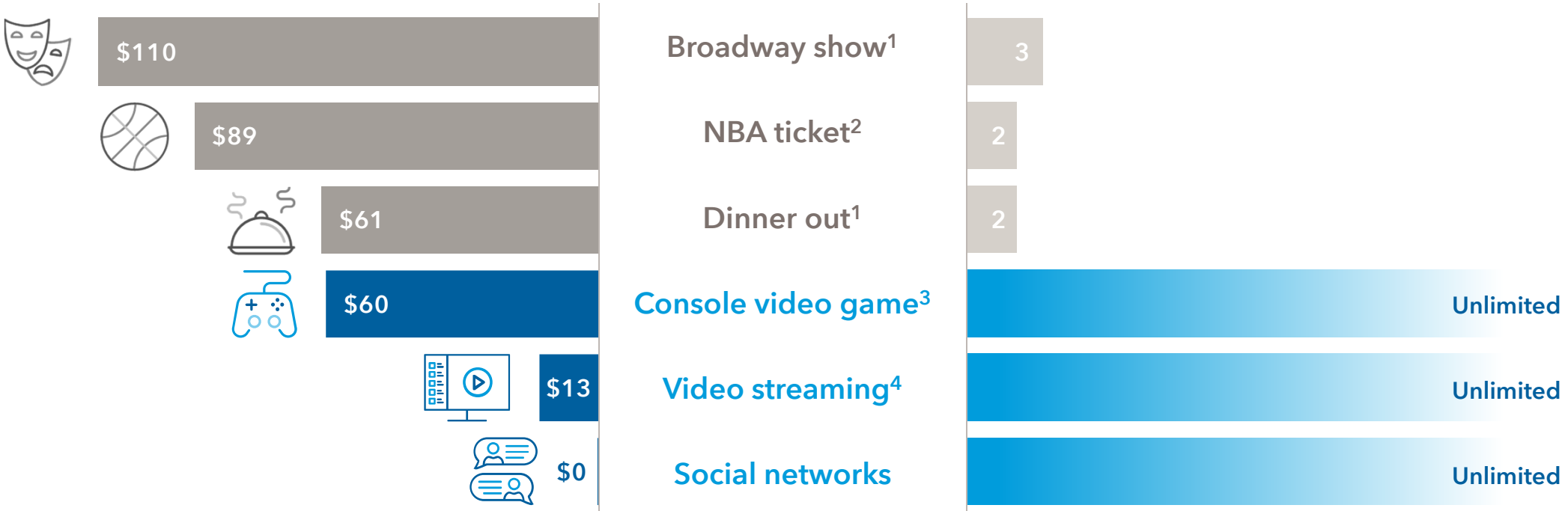
53%
wake up at least once per night to check their phone[2]

Next generation utilities are defined by Capital Group as new forms of digital entertainment that have the potential to be considered as a utility-like service by newer generations.

1. Fall 2016 Ipsos Affluent Survey USA, Ipsos, September 2016
2. Qualtrics and Accel survey
3. Inc.com
4. Worldwide; We Are Social; Hootsuite; Facebook; July 2018; 13 years and older; based on addressable ad audience

The new defensives: next generation utilities

With compelling value for money, digital entertainment is becoming utility-like for the millennial generation



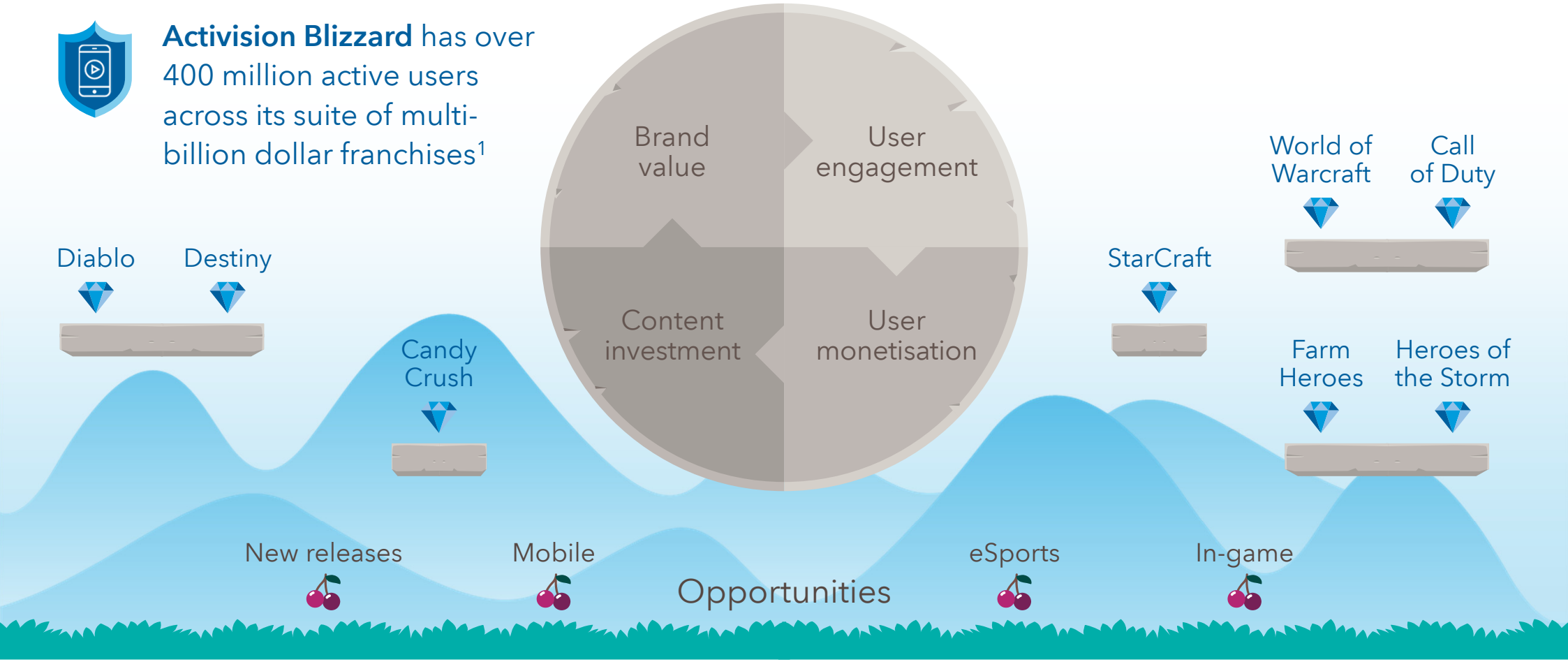
1. As at July 2019. Source: Jefferies
2. For 2018-19 season. Source: Barrystickets
3. As at October 2018. Source: Business Insider
4. Cost per month of standard US Netflix subscription as at 30 June 2020. Source: Netflix

Next generation utilities are defined by Capital Group as new forms of digital entertainment that have the potential to be considered as a utility-like service by newer generations.

The new defensives: next generation utilities

Video games have high barriers to entry and there are few studios that can create them with any consistency

Activision Blizzard has over 400 million active users across its suite of multi-billion dollar franchises[1]



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Next generation utilities are defined by Capital Group as new forms of digital entertainment that have the potential to be considered as a utility-like service by newer generations.

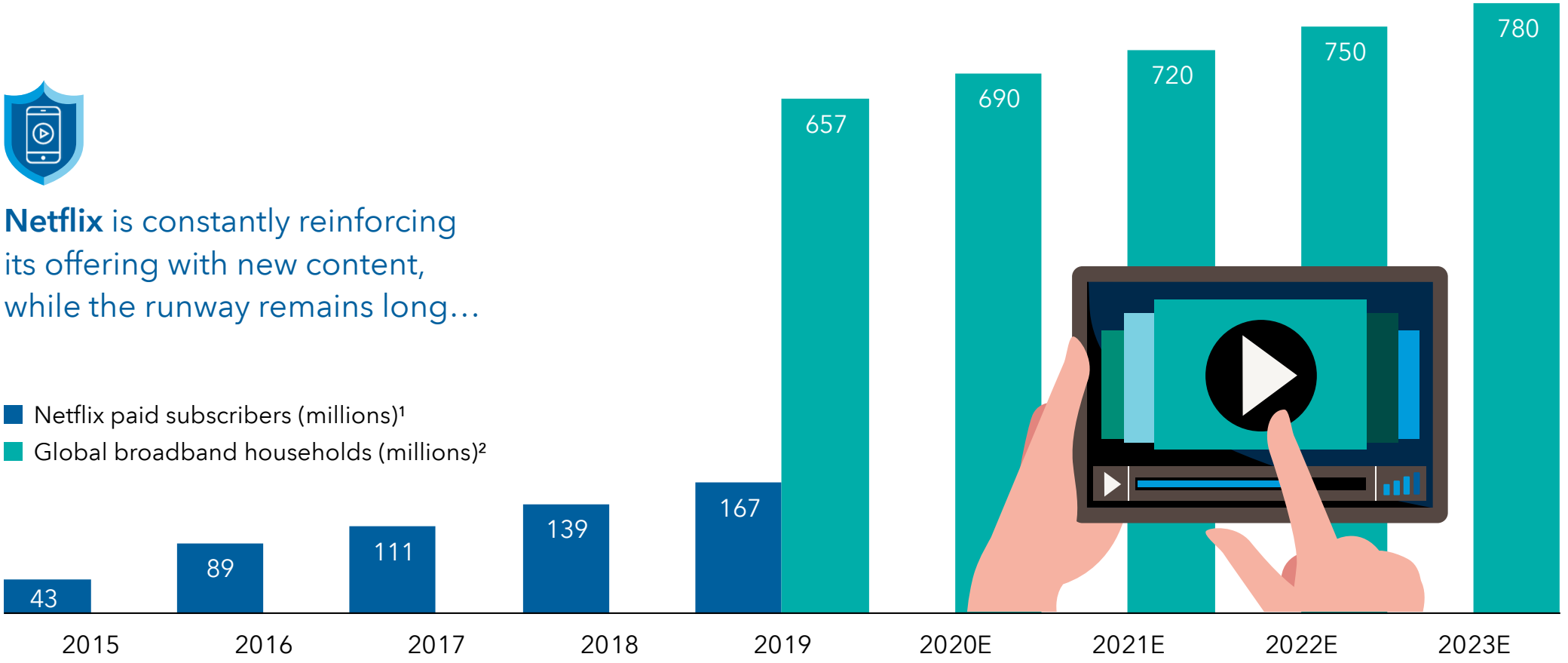
1. As at 31 December 2019. Source: Activision Blizzard

Activision Blizzard is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: next generation utilities

Subscription video on demand (SVOD) has low penetration and a long runway

Netflix is constantly reinforcing its offering with new content, while the runway remains long…



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Next generation utilities are defined by Capital Group as new forms of digital entertainment that have the potential to be considered as a utility-like service by newer generations.

1. As at 31 December 2019. Source: Netflix
2. As at May 2020. 2020-2023 numbers are forecasts. Source: Jefferies

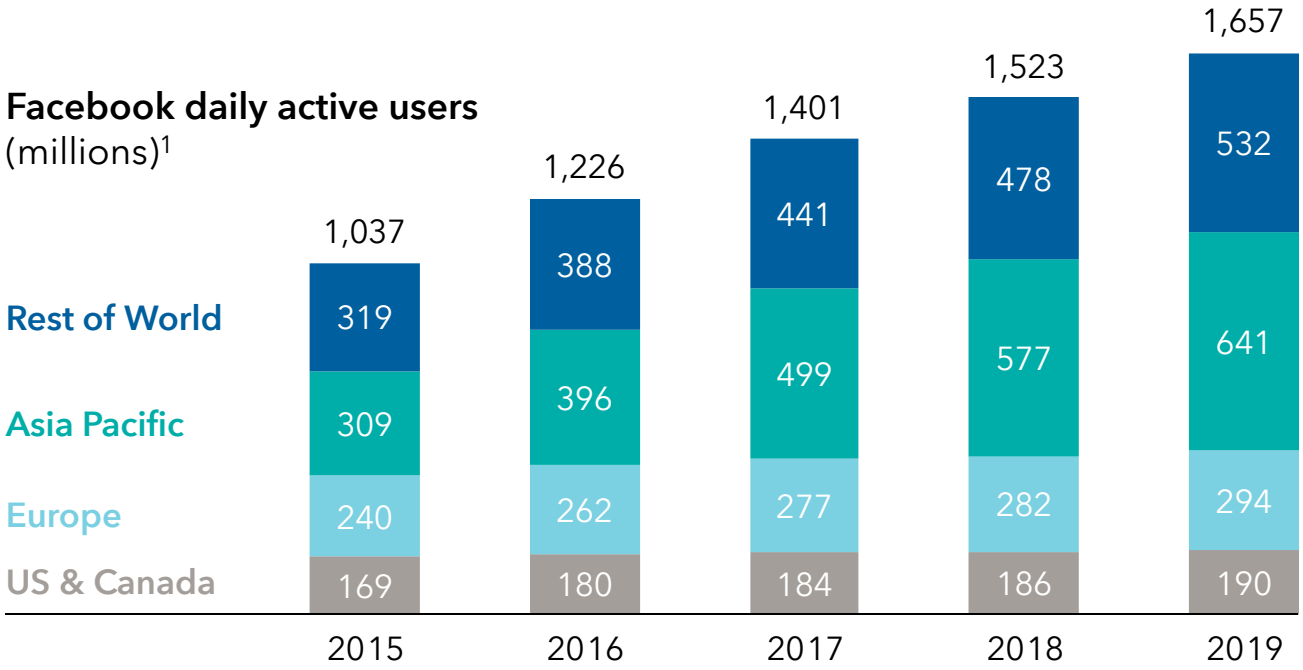
Netflix is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: next generation utilities

Social networks are the ultimate example of user engagement

As **Facebook's** global users continue to grow, it has an incredibly favourable base from which to increase its monetisation opportunities

Facebook daily active users
(millions)[1]



1 hour 14 mins

average time spent by users in the US on social networks[2]

US$28

average annual revenue per user across Facebook's platform – significant room to grow[1]

>95%

of the 160m+ businesses on Facebook's platform do not currently advertise on it[3]

Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

Next generation utilities are defined by Capital Group as new forms of digital entertainment that have the potential to be considered as a utility-like service by newer generations.

1. As at 31 December 2019. Source: Facebook
2. As at 2018. Source: eMarketer
3. As at 31 March 2020. Source: Facebook

Facebook is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: e-commerce champions

The e-commerce paradigm could present greater opportunities for less cyclical business models

The new defensives: e-commerce champions

The secular growth in digital payments can be a resilient tailwind for the leading providers

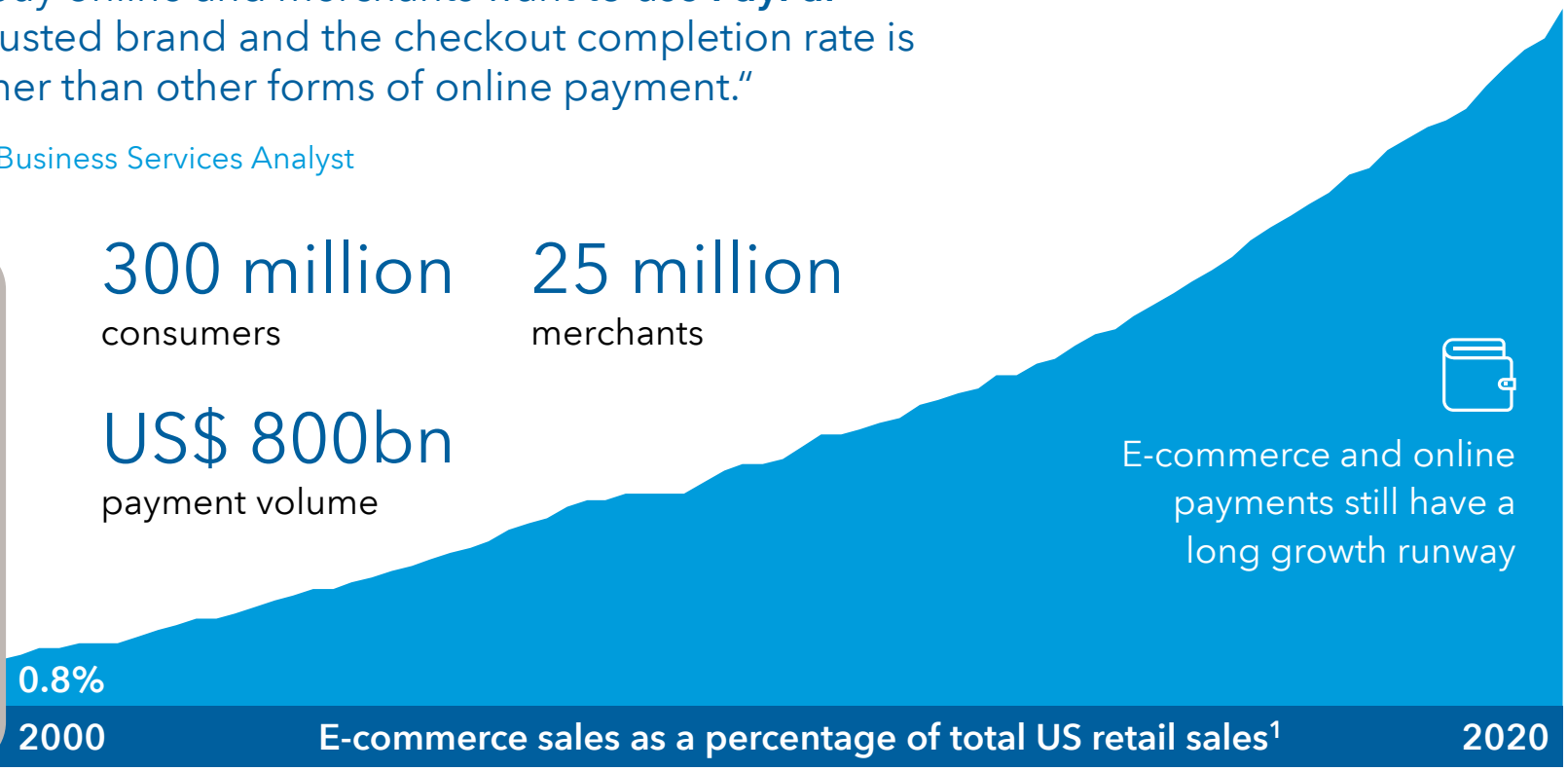
"People want to buy online and merchants want to use **PayPal** because it is a trusted brand and the checkout completion rate is significantly higher than other forms of online payment."

Thatcher Thompson, Business Services Analyst

300 million
consumers

25 million
merchants

US$ 800bn
payment volume



Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

As at 31 December 2019. Source: PayPal

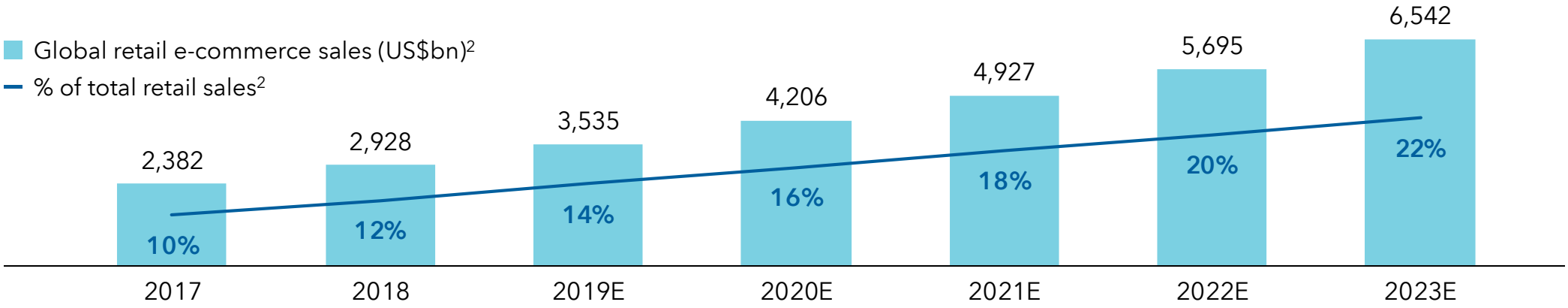
1. Data from 1 January 2000 to 1 January 2020. Source: St Louis Fed

PayPal is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: e-commerce champions

E-commerce platforms enable businesses of any size to massively expand their customer base

Shopify's digital and physical commerce platform has over one million merchants in 175 countries[1]. It is one of the best-positioned companies to benefit from the secular rise of e-commerce.



Subscription solutions
Software for managing storefronts across multiple digital and physical channels

Merchant solutions
Provides transactional services such as payments processing

Fulfilment network
Merchants outsource fulfilment to Shopify; increasing delivery speed and reducing shipping costs

Storefront subscribers are more likely to use Shopify for services such as payments and order fulfilment

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1. As at 31 December 2019. Source: Shopify
2. As at May 2019. Data for 2019 onwards are based on estimates. Source: eMarketer

Shopify is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

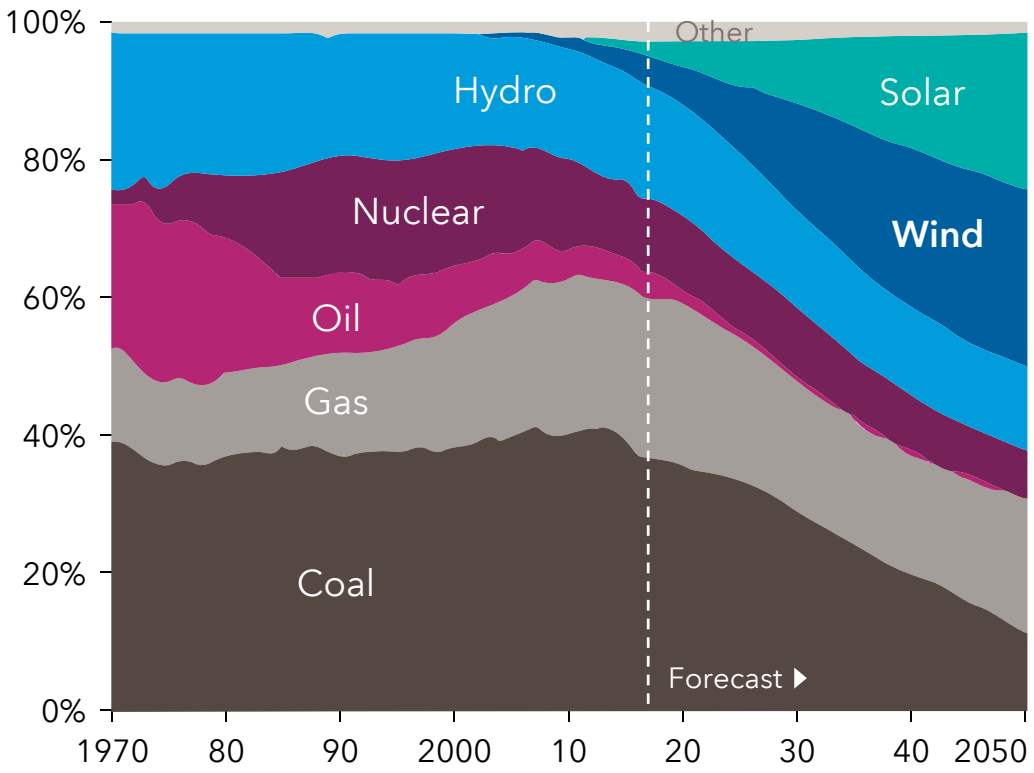
The new defensives: new energy

Utilities should always be defensive, but some companies are ahead of the field when it comes to renewables

The new defensives: new energy

Rapid improvements in offshore wind technology should drive down costs and grow capacity share

Global power generation mix[1]



Orsted is one of the major beneficiaries of the offshore wind runway due to its applied technology lead and capital allocation discipline

Wind turbine evolution[2]	**1991**	**2022**
Diameter (m)	35	220
Capacity (MW)	0.45	12
Homes powered	600	16,000

Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

1. As at 2019. Source: BloombergNEF
2. 2022 indicates Orsted's intended introduction of latest turbine technology. Source: Orsted

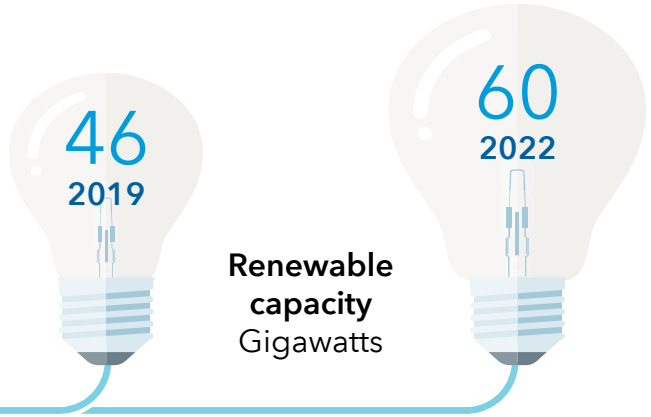
Orsted is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: new energy

A focus on operational efficiency is required for utilities serious about investing in the future

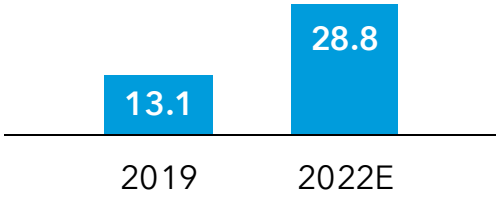
Enel is the world's largest private renewable player[1], with ambitious targets for the next three years…

60% of total capacity to come from renewable sources by 2022

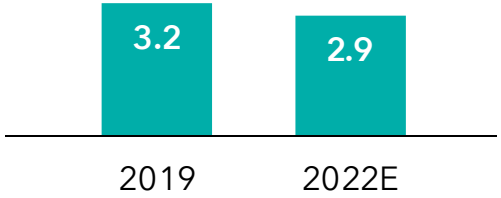


…whilst maintaining cost control through digitalisation and IT rationalisation

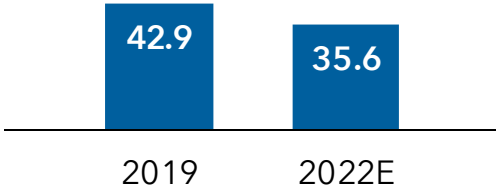
Digitalisation
Smart meters 2.0 (million)
>2x



Service quality
SAIFI[2] (no.)
-9%



Efficiency
Opex per customer (€)
-17%



Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.
As at 31 December 2019. 2019 are actuals, 2022 are forecasts. Source: Enel
1. Enel's 46 gigawatts of capacity makes it the largest private renewable player globally. As at 9 January 2020. Source: Enel.
2. SAIFI: System Average Interruption Frequency Index
Enel is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

Defensive investing in an age of disruption

Examples of emerging themes which could drive a new breed of defensive companies

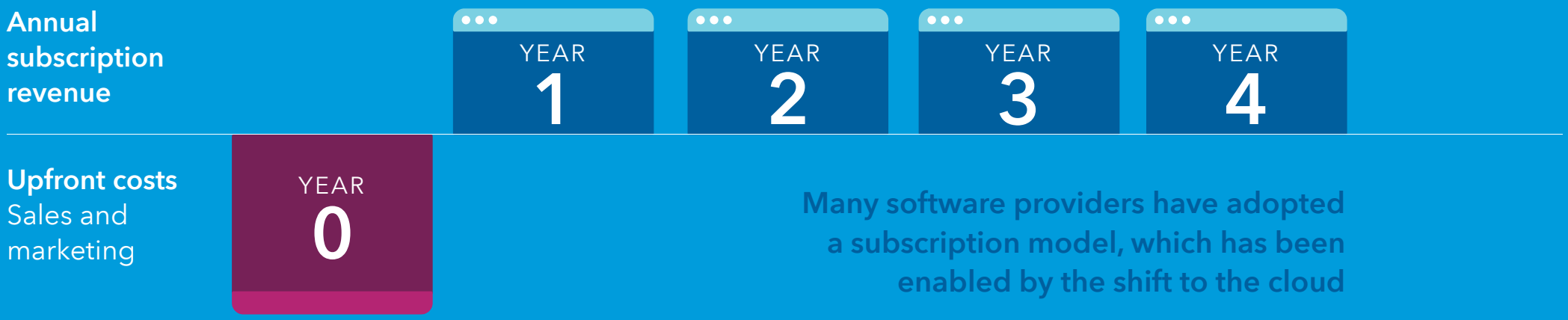
New technology
driving secular growth
in total addressable market

New business models
driving lower cyclicality
in earnings

New Defensives have been identified by Capital Group as potential themes that could help to drive lower volatility future earnings and share prices for companies engaged in such themes. The list of themes are not exhaustive and there is no assertion that such themes have been defensive in the past.

The new defensives: enterprise staples

The SaaS[1] economic model is more defensive than in previous IT paradigms



Many software providers have adopted a subscription model, which has been enabled by the shift to the cloud

Customers		Software providers
Lower cost of adoption	✓	Expanded addressable market
More predictable IT opex/capex	✓	Lower cyclicality and higher visibility of revenues
Always have access to latest version	✓	Increases lifetime value of each customer

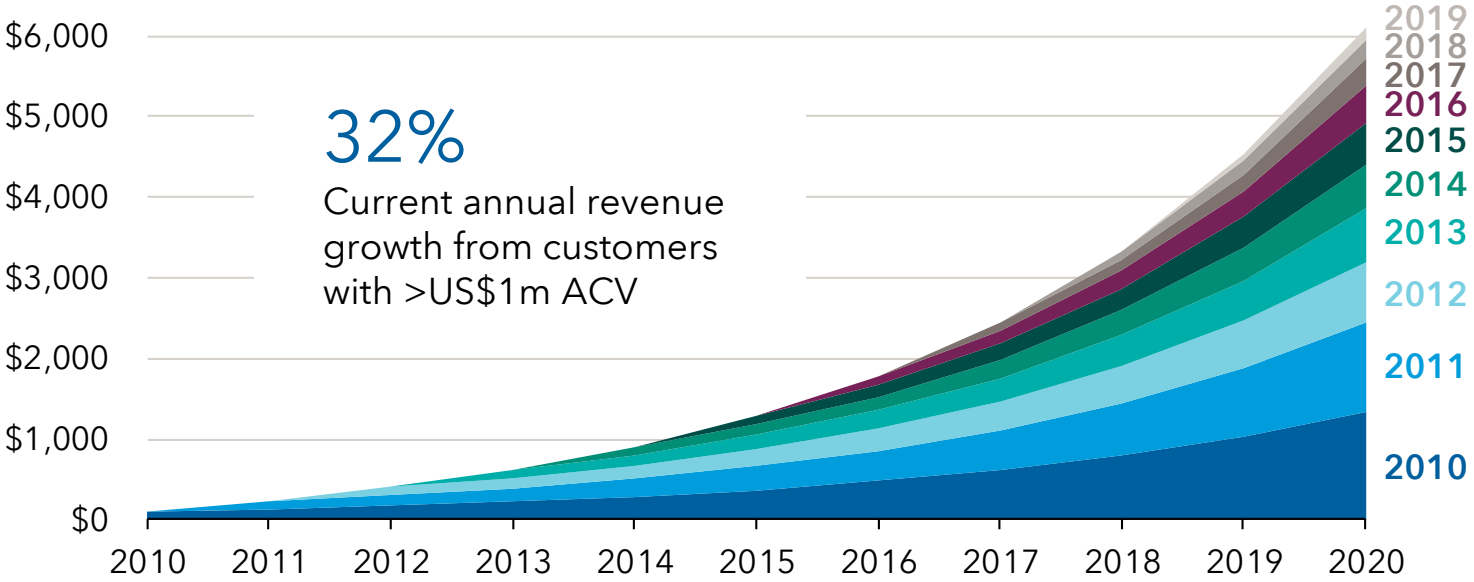
1. SaaS: software as a service

The new defensives: enterprise staples

SaaS: a case study in organisational entrenchment

ServiceNow provides cloud-based digital workflow tools and IT service management. Its platform allows enterprises to build their own custom workflow apps, further entrenching the service into customers' systems

Illustrative example: current value of a US$100 contract initiated in prior years



6,200+
global enterprise customers

80%
of Fortune 500 companies

97%
renewal rate

Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

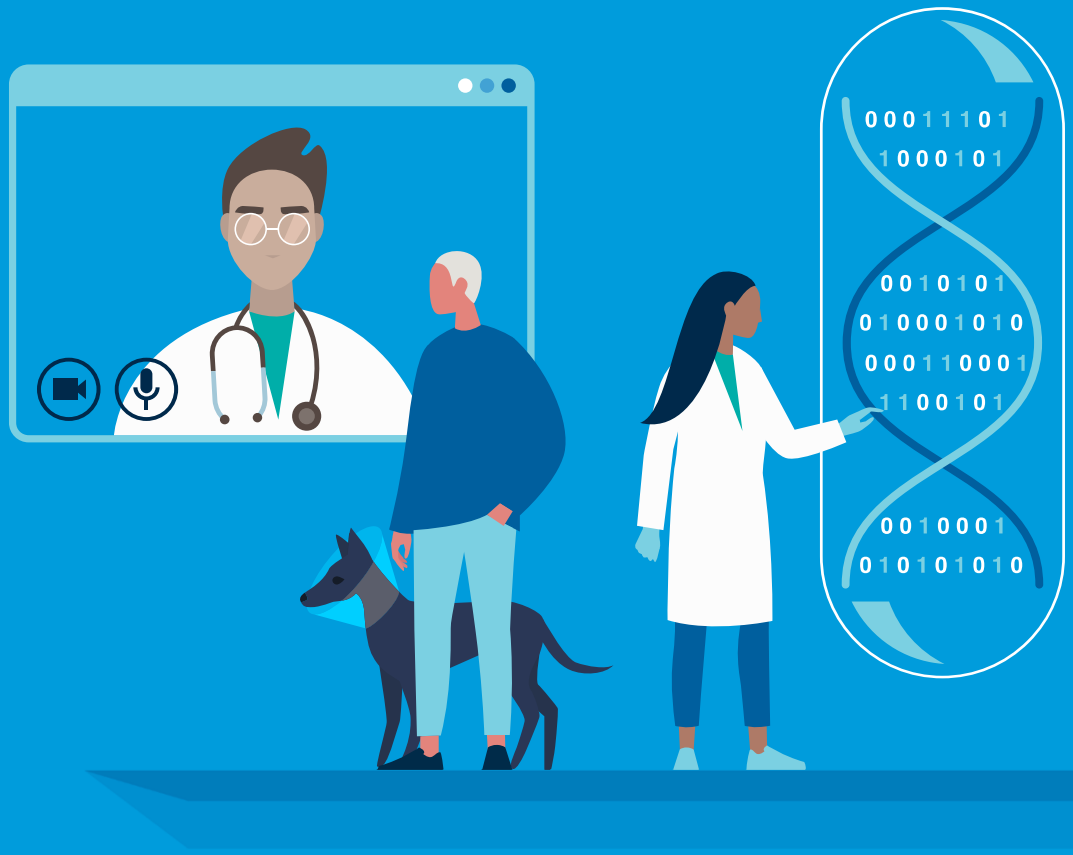
SaaS: software as a service

As at 31 December 2019. Sources: ServiceNow. Chart uses observed growth rates in annual contract values of customers that initiated contracts in each year from 2010 to 2019.

ServiceNow is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: alternative health care

Health care is traditionally a resilient sector, but new business models are developing based on emerging secular themes



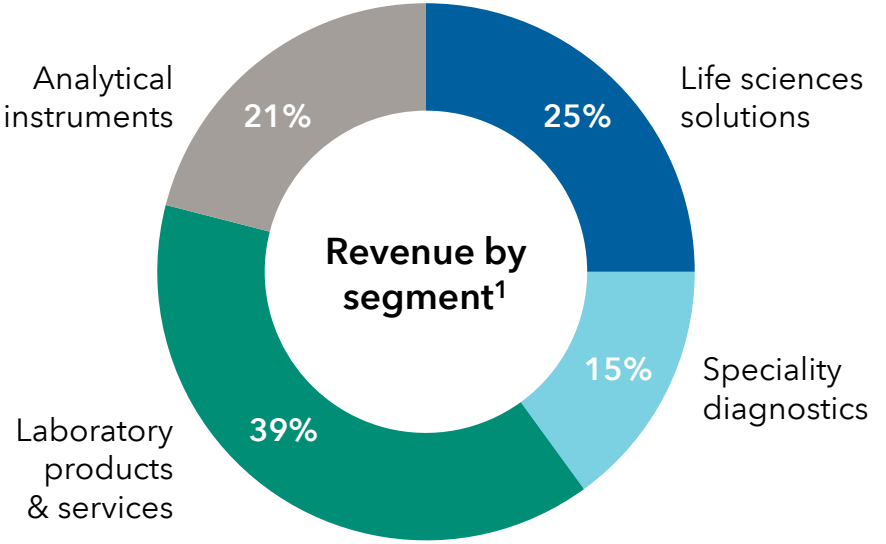
Emerging themes

- Robotics and medtech
- Genetic research
- Telehealth and connected devices
- Big data and machine learning
- Animal health and nutrition

The new defensives: alternative health care

Life sciences tools: a one-stop shop approach

Thermo Fisher Scientific is a leading provider of tools and services for the life sciences industry, which is involved in the study of life and organisms. Its scale allows it to offer a broad range of products to its customers.



Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

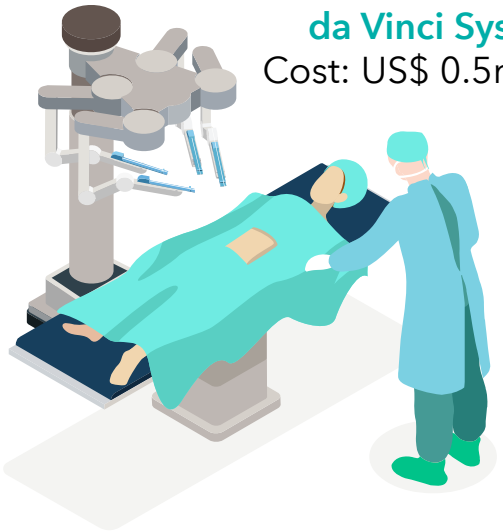
1. As at 31 December 2019. Source: Thermo Fisher Scientific

Thermo Fisher Scientific is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

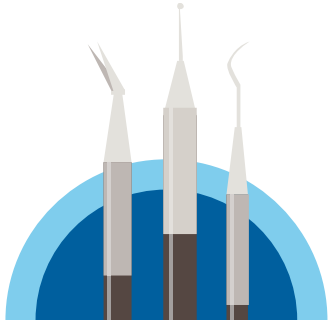
The new defensives: alternative health care

Robotic-assisted surgery: the future normal

Intuitive Surgical combines cutting-edge medical technology and a robust business model with diversifying revenue streams



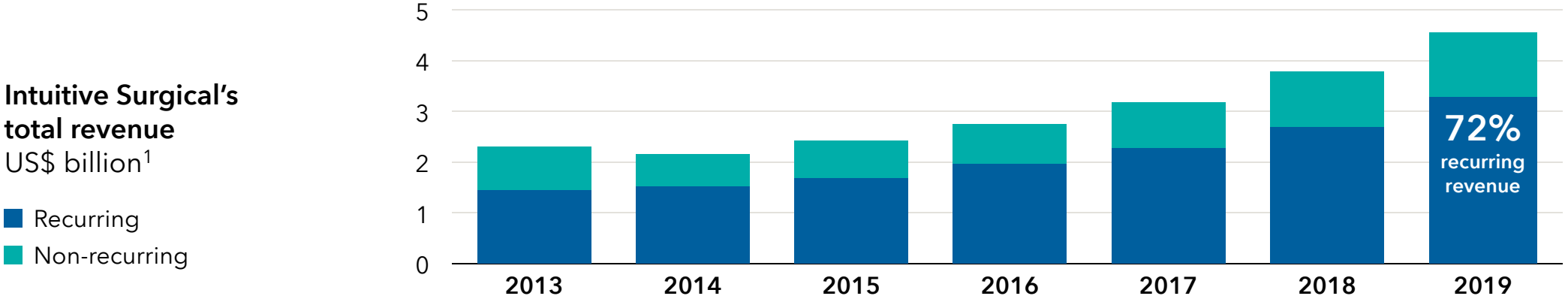
da Vinci System
Cost: US$ 0.5m-2.5m



Instruments and accessories
Cost: US$ 700-3,000

Services
Cost: US$ 80k-190k per year

Intuitive Surgical's total revenue
US$ billion[1]



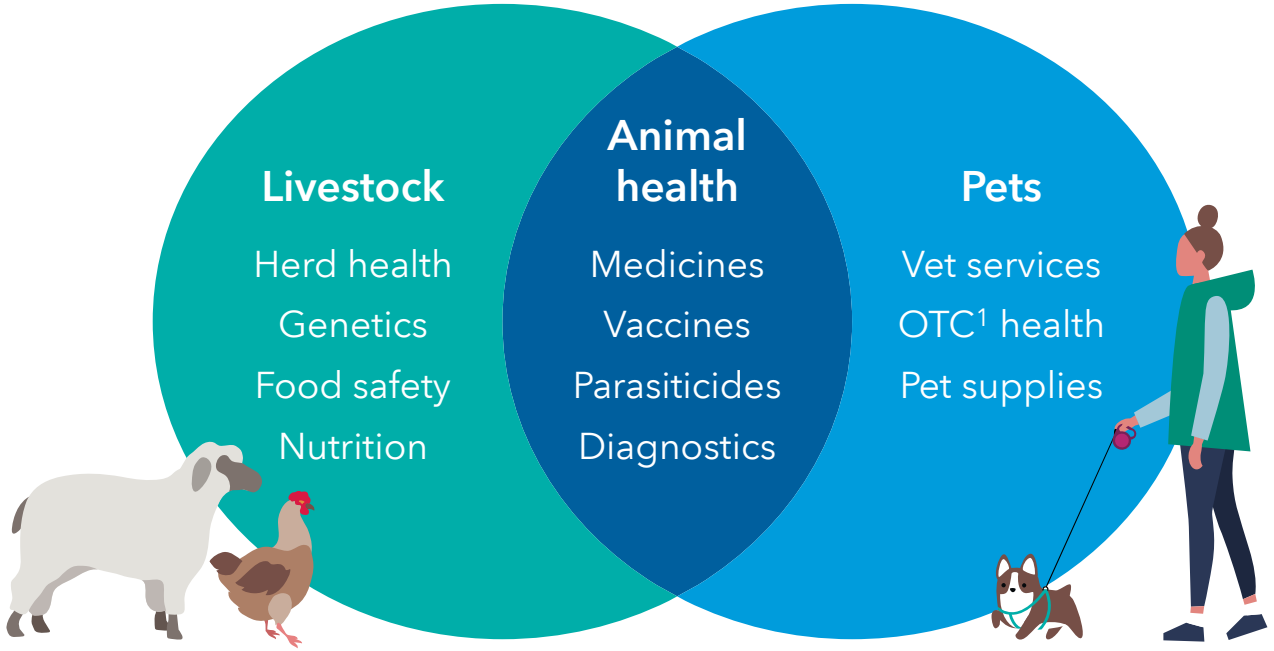
Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

1. As at 31 December 2019. Source: Intuitive Surgical

Intuitive Surgical is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: alternative health care

Animal health is an important but overlooked market



Population growth

Rising middle class

Increasing urbanisation

Zoetis is the global market leader in livestock and pet health care, with a market worth over US$40 billion

Durable portfolio
300 product lines with average market life of 29 years

Leading brands
90% of revenue from species in which Zoetis is market leader

Continuous innovation
1,100+ new products and innovations in last 5 years

Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.
As at 31 December 2019. Source: Zoetis
1. OTC: Over the counter
Zoetis is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: safe havens in financials

There are certain financial companies whose earnings are less dependent on financial or economic conditions

The new defensives: safe havens in financials

The secular growth of data in financial markets

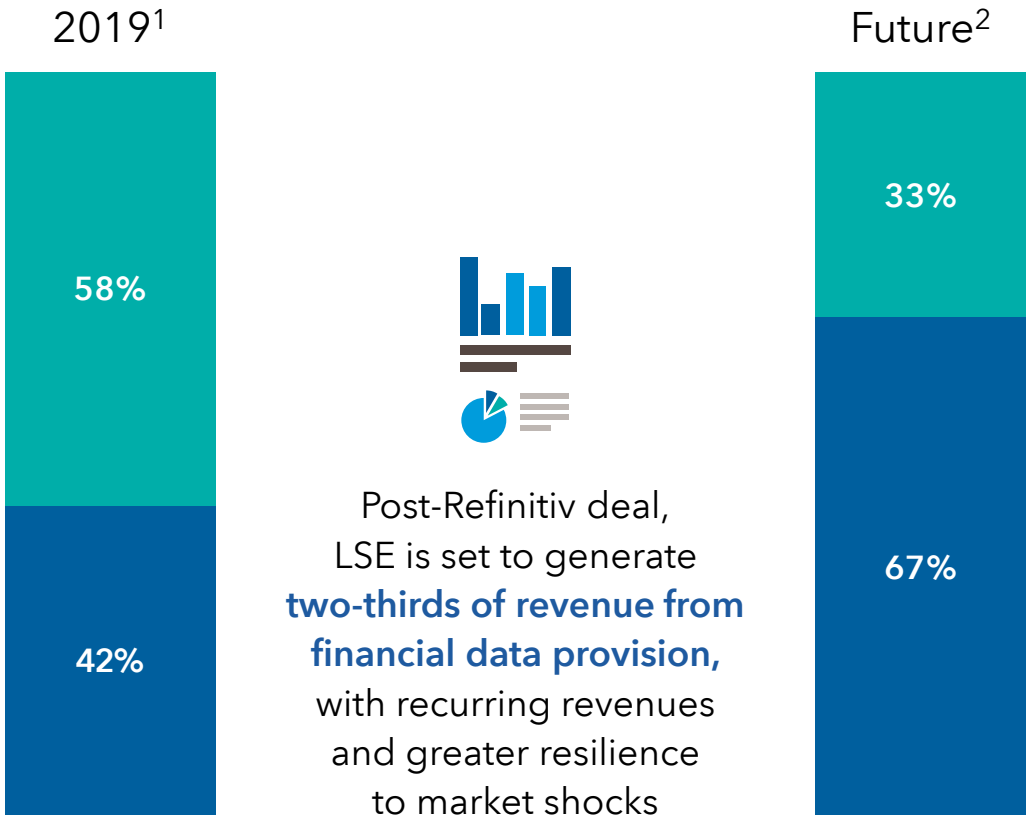
LSE has a diversified mix of cyclical, countercyclical and all-weather business areas. It is transforming into a global market infrastructure provider following multiple acquisitions.

Capital markets and post-trade services

- Clearing and settlements
- Regulatory reporting
- Equity, fixed income and derivatives markets

Information and technology services

- Market indices
- Analytics and data solutions
- IT infrastructure



Post-Refinitiv deal, LSE is set to generate **two-thirds of revenue from financial data provision,** with recurring revenues and greater resilience to market shocks

Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or a solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

1. As at 31 December 2019: Source: LSE
2. LSE announced its intention to acquire financial markets and data infrastructure provider Refinitiv in August 2019. LSE future revenue mix post-Refinitiv deal completion is based on Capital Group estimates.

LSE is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

The new defensives: digital brands

Traditional staples are losing out to new-age brands

Leading staples brands in 2009

Rank	2009 rank	2019 rank
Coca-Cola	1	5
McDonalds	6	9
Gillette	13	37
Marlboro	17	100+
Pepsi	23	24

Leading digital brands in 2019

	2009 rank	2019 rank
Apple	20	1
Google	7	2
Amazon	43	3
Microsoft	3	4
Samsung	19	6

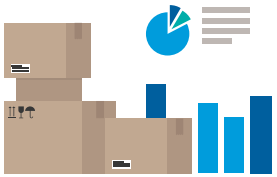
Source: Interbrand

The new defensives: digital brands

Digital transformation in sports and leisurewear

Nike's investments in digital technology are enhancing its multilocal distribution strategy and reinforcing its global brand value

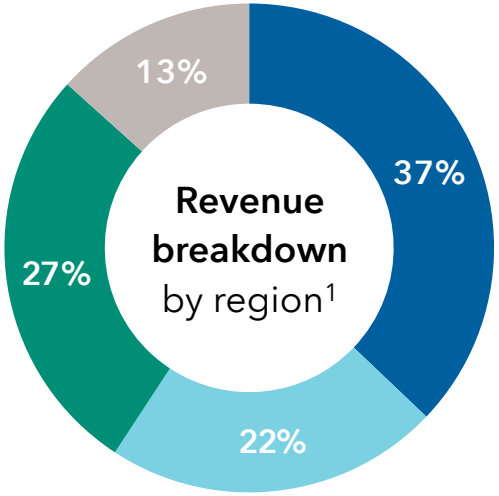
Recent digital acquisitions



Celect 2019
Cloud-based predictive analytics to help retailers optimise inventories through data-driven decisions

Invertex 2018
3D scanning to provide mass customisation and deliver a customer-specific e-commerce experience

Zodiac 2018
Predictive customer analytics to forecast the behaviour and lifetime value of individuals and segments



Nike's digitalisation is helping to achieve:

- More relevant local products
- Improved brand perception
- Higher margins

Example provided for illustrative purposes only. This information has been provided solely for informational purposes and is not an offer, or solicitation of an offer, or a recommendation to buy or sell any security or instrument listed herein.

1. Data as at 31 May 2020. Source: Nike

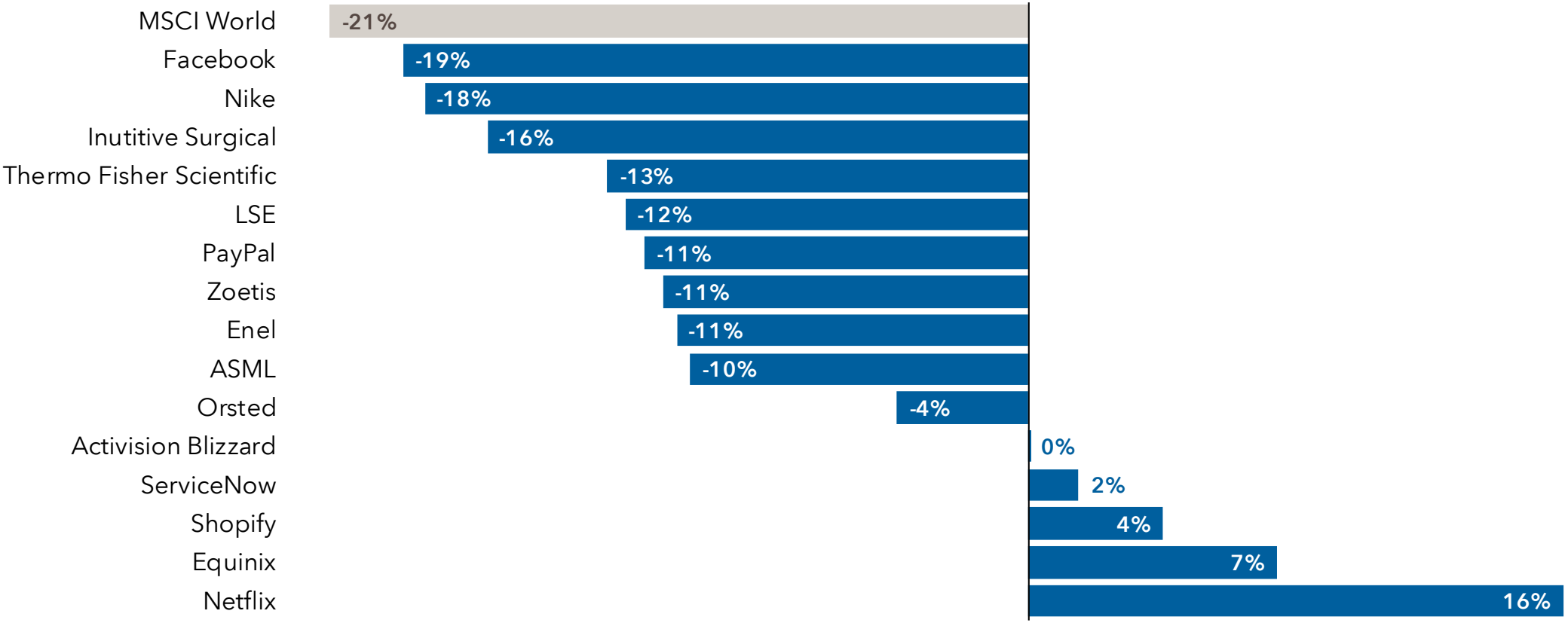
Nike is a holding in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

4.
The COVID-19 crisis

The COVID-19 crisis

New Defensives company examples in this presentation: stock price reactions during the COVID-19 market downturn

Total return in US$ (January 2020 to March 2020)



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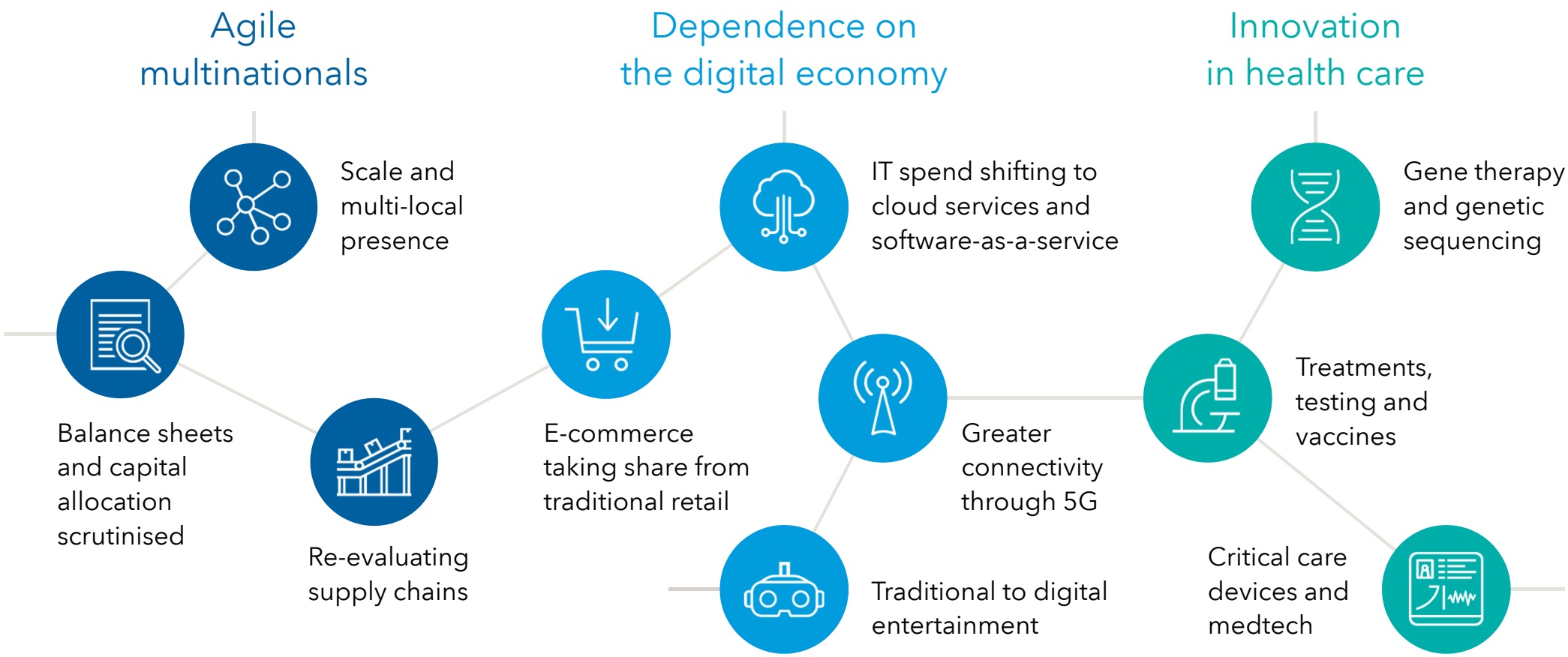
Data from 31 December 2019 to 31 March 2020. MSCI World shows returns for MSCI World Index (with net dividends reinvested). Sources: MSCI, FactSet
All companies shown are holdings in the Capital Group New Perspective Fund (LUX) as at 30 June 2020.

Structural changes accelerating amid COVID-19

Changing behaviours may accelerate key secular themes already in motion before the virus struck

Long-term secular themes accelerating in Capital Group New Perspective Fund (LUX)



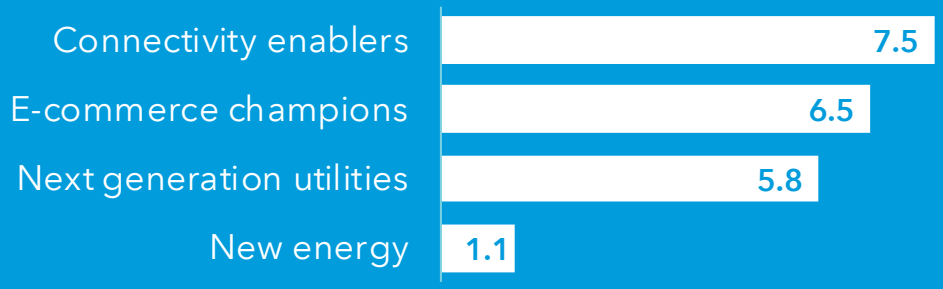
For illustrative purposes only.

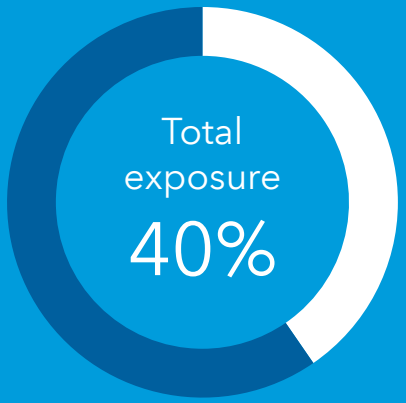
5.
Capital Group
New Perspective Fund (LUX)

How the New Perspective portfolio is positioned

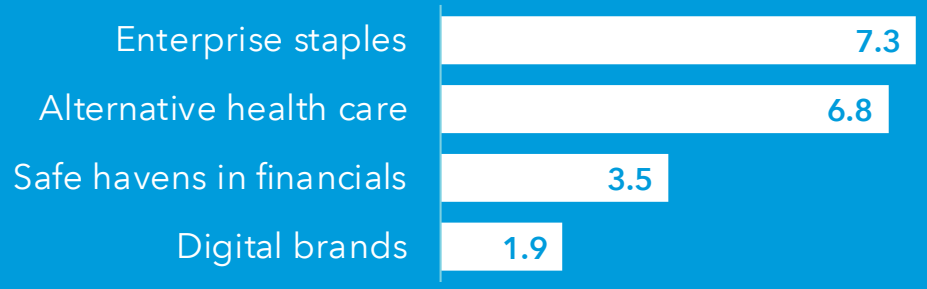
Capital Group New Perspective Fund (LUX): % exposure to New Defensives

New technology
driving secular growth
in total addressable market





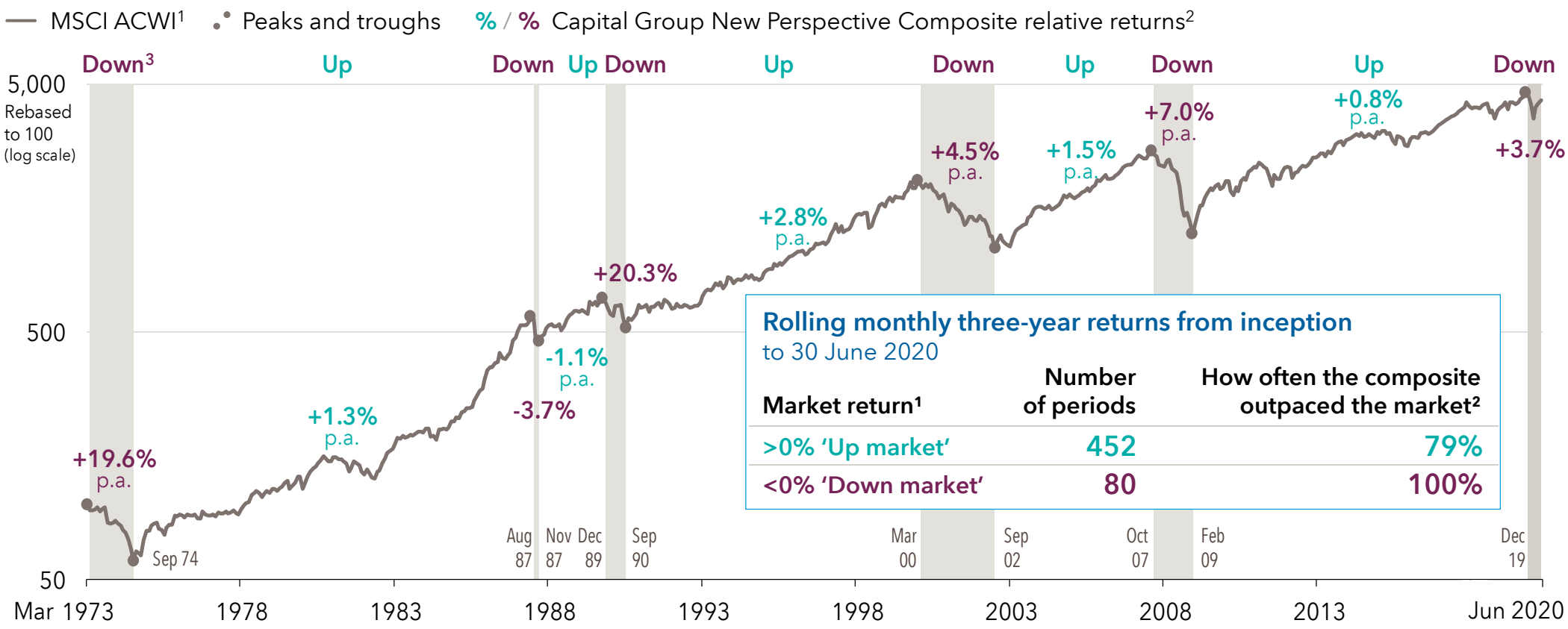
New business models
driving lower cyclicality
in earnings



Data as at 30 June 2020. Sources: Capital Group, FactSet.

Outcome: a strategy for different market conditions

With a proven track record of excess return generation in up and down market cycles



Rolling monthly three-year returns from inception
to 30 June 2020

Market return[1]	Number of periods	How often the composite outpaced the market[2]
>0% 'Up market'	452	79%
<0% 'Down market'	80	100%

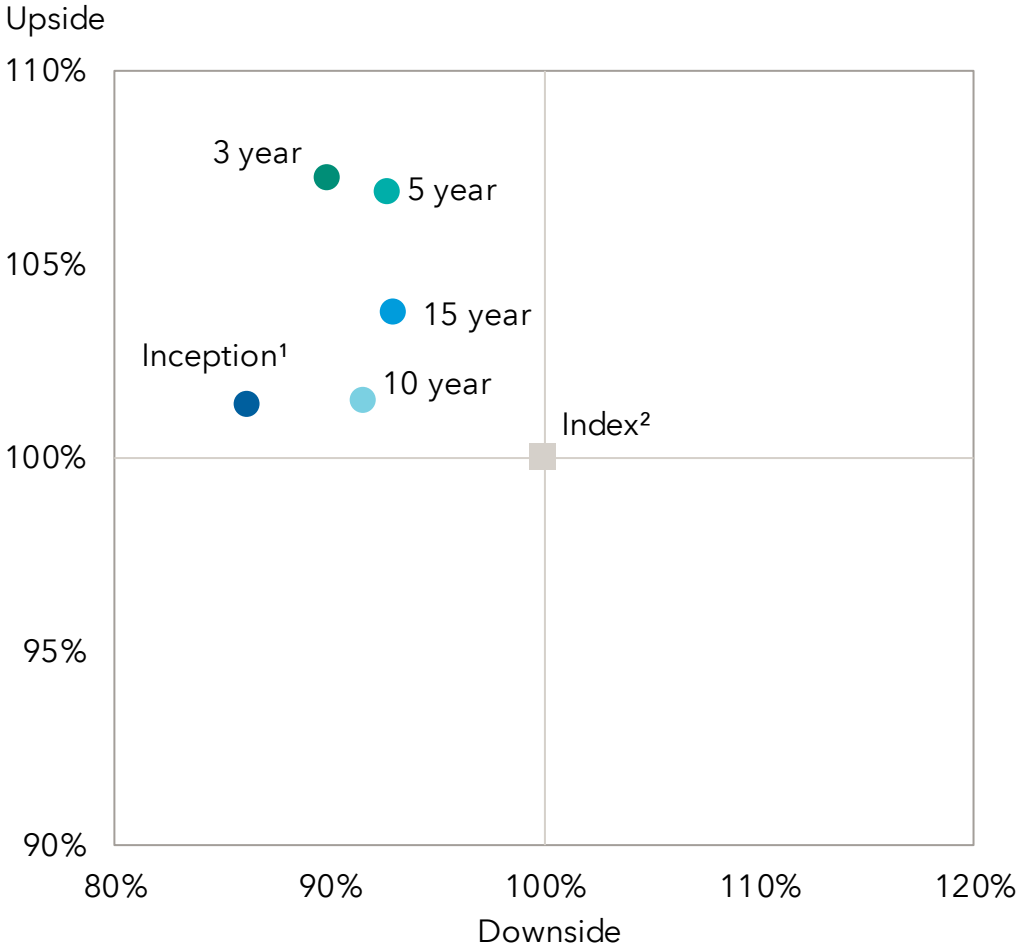
The information in relation to the index is provided for context and illustration only. The fund is an actively managed UCITS. It is not managed in reference to a benchmark. Past results are not a guarantee of future results.

Data as at 30 June 2020. Returns in US$ terms. Capital Group New Perspective Fund (LUX) was launched on 30 October 2015. The investment results shown here are for the Capital Group New Perspective Composite (defined as a single group of discretionary portfolios that collectively represent a particular investment strategy or objective). This is intended to illustrate our experience and capability in managing this strategy over the long term. Our Luxembourg fund has been a member of this composite since the beginning of November 2015.

1. MSCI All Country World Index (ACWI) (with net dividends reinvested) from 30 September 2011; previously MSCI World (with net dividends reinvested). Source: MSCI
2. Relative returns calculated geometrically for the Capital Group New Perspective Composite, compared with the index in footnote 1. Net of management fees and expenses for a representative Luxembourg fund share class (B), applying the maximum Total Expense Ratio (TER). Please visit capitalgroup.com for further details. Annualised returns for periods of more than 12 months. Source: Capital Group
3. Defined as at least a 20% cumulative drop in market value.

Outcome: asymmetric upside and downside capture

Capital Group New Perspective strategy



	Upside	Downside
3 year	107.2%	90.0%
5 year	106.9%	92.7%
10 year	101.5%	91.6%
15 year	103.7%	93.0%
Inception¹	101.4%	86.2%

As at 30 June 2020. Capital Group New Perspective Fund (LUX) was launched on 30 October 2015. The investment results shown here are for the Capital Group New Perspective Composite (defined as a single group of discretionary portfolios that collectively represent a particular investment strategy or objective). This is intended to illustrate our experience and capability in managing this strategy over the long term. Our Luxembourg fund has been a member of this composite since the beginning of November 2015. Results shown for the Capital Group New Perspective Composite are asset-weighted and based on initial weights and monthly returns. Net of management fees and expenses for a representative Luxembourg fund share class (B), applying the maximum Total Expense Ratio (TER). Please visit capitalgroup.com for further details. Source: Capital Group

1. Strategy inception is 31 March 1973
2. Index shown is MSCI ACWI (with net dividends reinvested) from 30 September 2011; previously MSCI World (with net dividends reinvested). Source: MSCI

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Summary

Defensive investing in an age of disruption

1. Protecting on the downside is a core tenet of successful long-term investing

2. Each market downturn is different; company-by-company investing is preferred to sector-based investing

3. There may be structural growth headwinds ahead for industries that have traditionally offered defensiveness

4. In an age of disruption, defensive investors should consider companies with the following attributes:
   - Secular growth in total addressable market
   - New business models driving lower revenue cyclicality

5. Capital Group New Perspective Fund (LUX) has achieved a compelling asymmetric return profile; outpacing in both down and up markets

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The value of investments and income from them can go down as well as up, and you may lose some or all of your initial investment. Risk factors that may influence the value of an investment in this Fund may include, but are not limited to, (i) increased risks of emerging markets, (ii) risk of decline in the price of equities and bonds in response to certain events directly affecting the companies whose securities are owned by the Fund as well as general economic conditions; overall market changes; political, social or economic instability; and currency fluctuations, (iii) interest rate risk as the market value of bonds generally vary inversely with the level of interest rates, (iv) credit risk as the creditworthiness of the Fund's investment can impact the investment's ability to meet its obligations, and (v) derivatives risks.

Investors in Hong Kong should read carefully the Hong Kong offering documents of the Fund (including the section “Risk Factors” in the Hong Kong Covering Document and “Risk Warnings” in the Luxembourg prospectus) for the relevant risks associated with the investment in the Fund before investing. A copy of the Hong Kong Covering Document incorporating the Luxembourg Prospectus for the fund(s) is available online at capitalgroup.com/asia.

Inquiries regarding investment in any fund product available for sale in Korea should be addressed to our local distributor, Samsung Securities Co., Ltd. Samsung Main Bldg., 67, Sejong-daero, Jung-gu, 100-742 Seoul, Korea.

A copy of the Singapore Prospectus incorporating the Luxembourg Prospectus for the fund(s) is available online at capitalgroup.com/asia.

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