

Advisers Big Day Out

March 2019

FOR PROFESSIONAL INVESTORS ONLY

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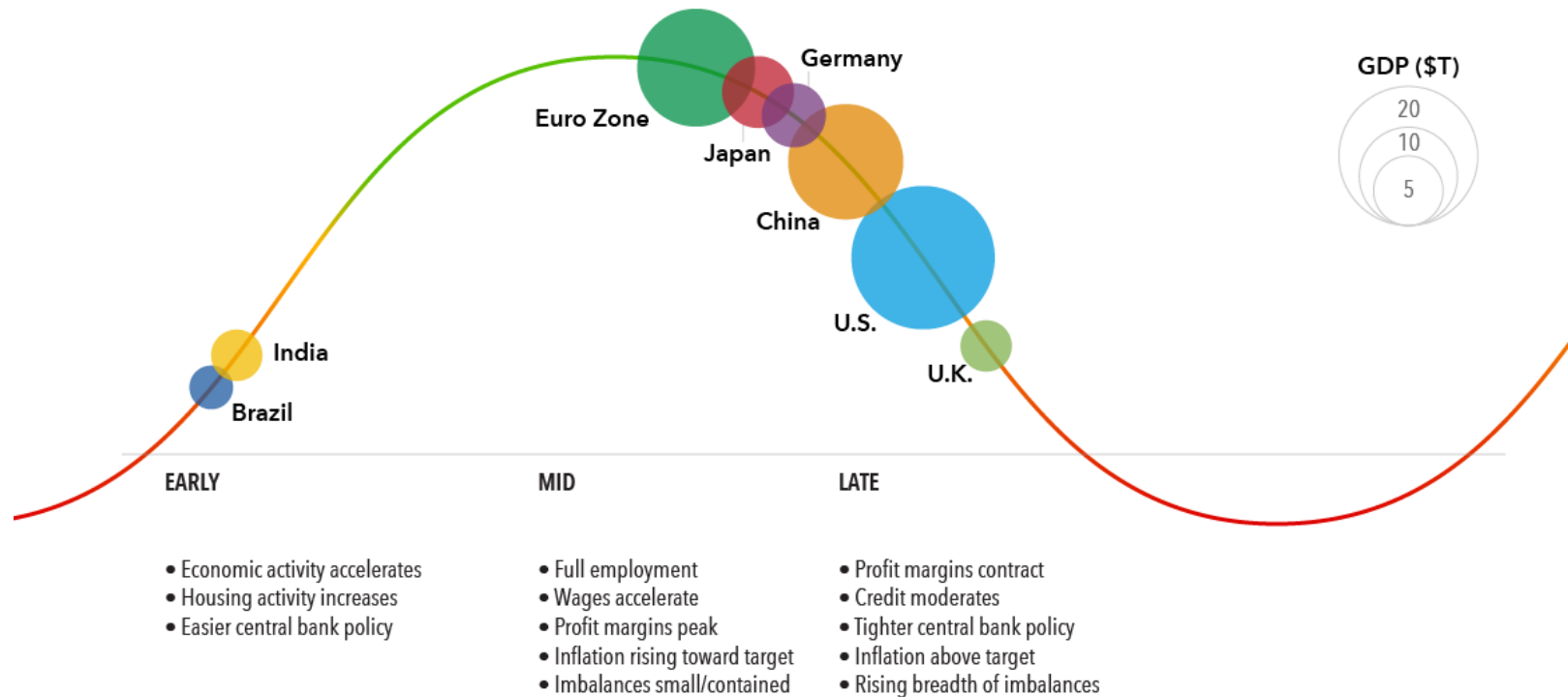
The background of the slide is a composite of three images. On the left, a long-exposure photograph of a highway at night, showing bright orange and yellow light trails from cars. In the center, a perspective view of a tunnel with light trails on the walls and floor, creating a sense of depth and motion. On the right, a dark image of a city skyline at night with various lights and structures.

**Time to rethink:
Global investing in a
rapidly changing
environment**

The US economy reaches late-cycle territory

Among the first to experience recovery post-Global Financial Crisis, the US leads most major economies

Most major economies are experiencing mid-to-late cycle characteristics

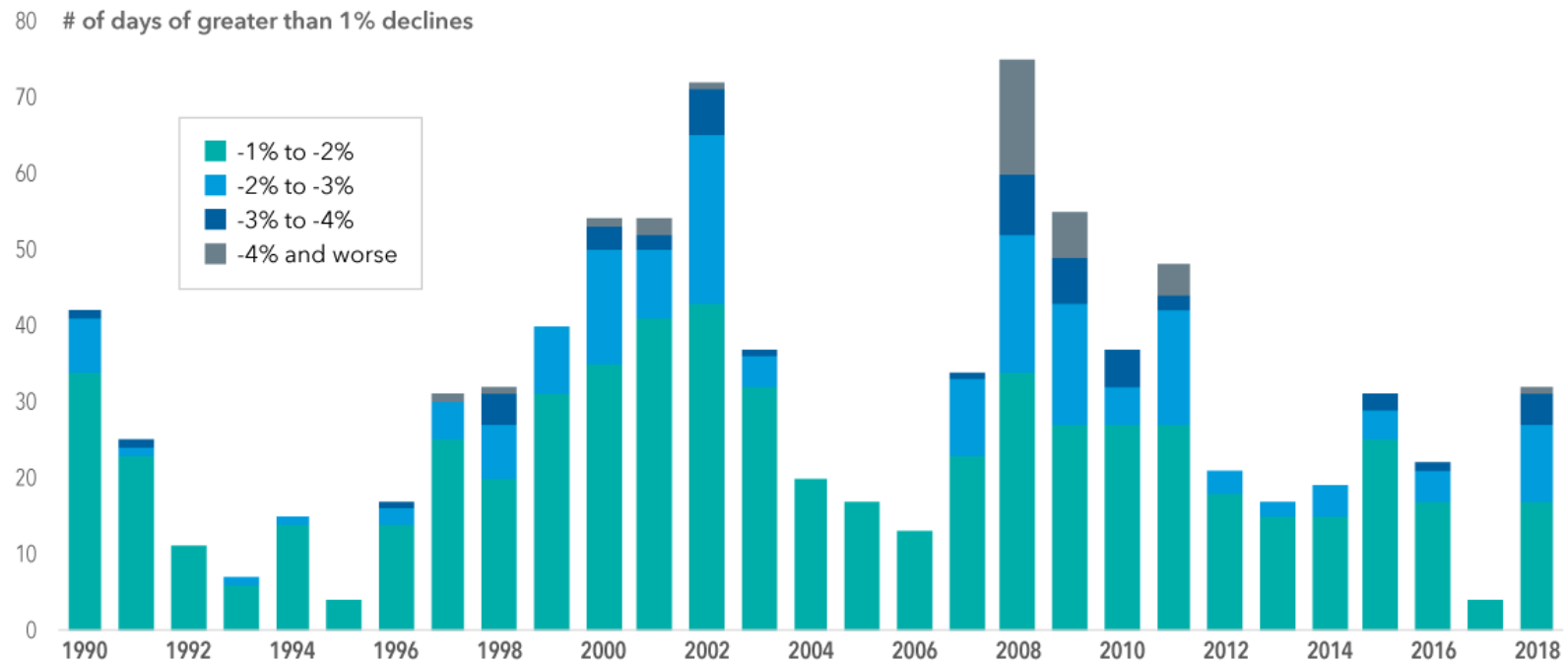


For illustrative purposes only. The information provided is not intended to be comprehensive or to provide advice.

Gross domestic product (GDP) data are in USD and are latest available to 30 September 2018. Country positions within the business cycle are forward-looking estimates by Capital Group economists. Sources: Capital Group, FactSet

Volatility came roaring back in 2018: Expect it to stick around

S&P 500 declines by intensity

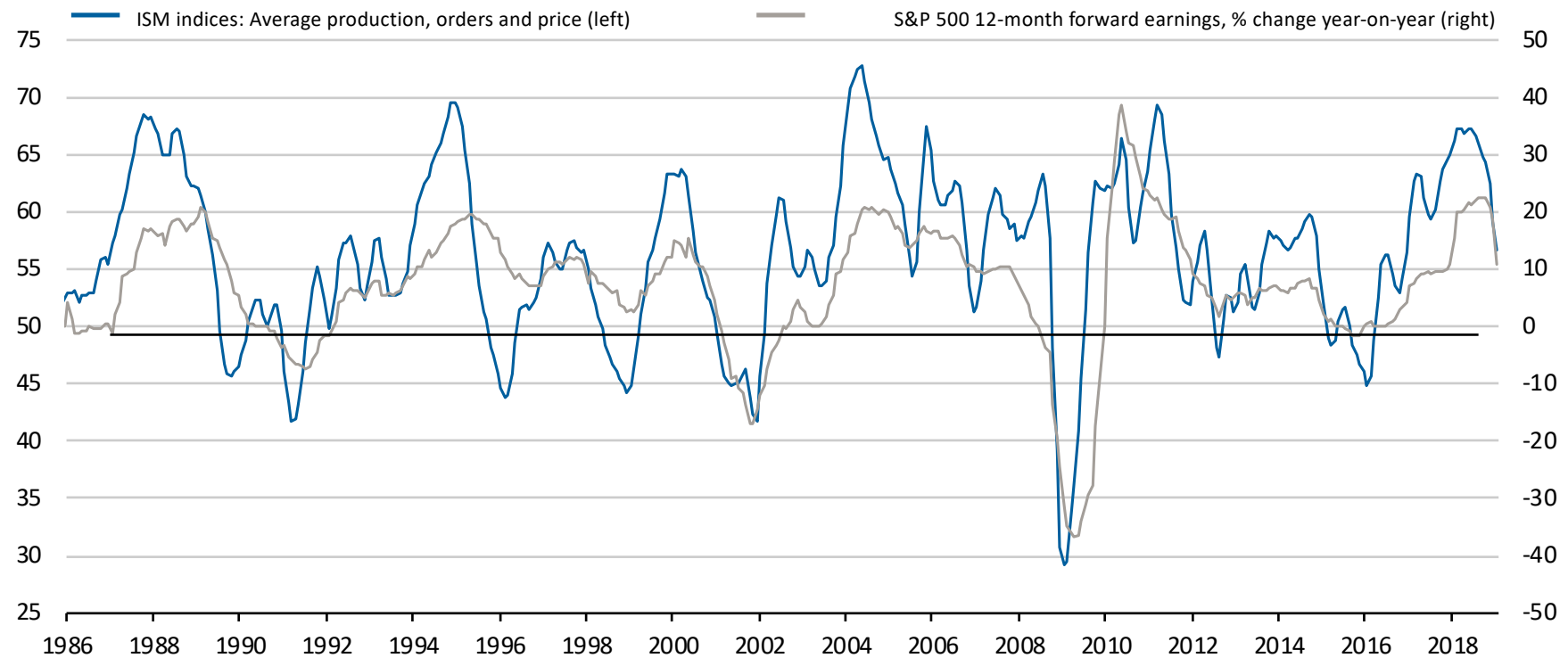


Past results are not a guarantee of future results. For illustrative purposes only. Investors cannot invest directly in an index.

Data as at 31 December 2018. Source: RIMES

The US economy continues to demonstrate resilience

Leading indicators still suggest continued growth in 2019 despite having fallen in recent months

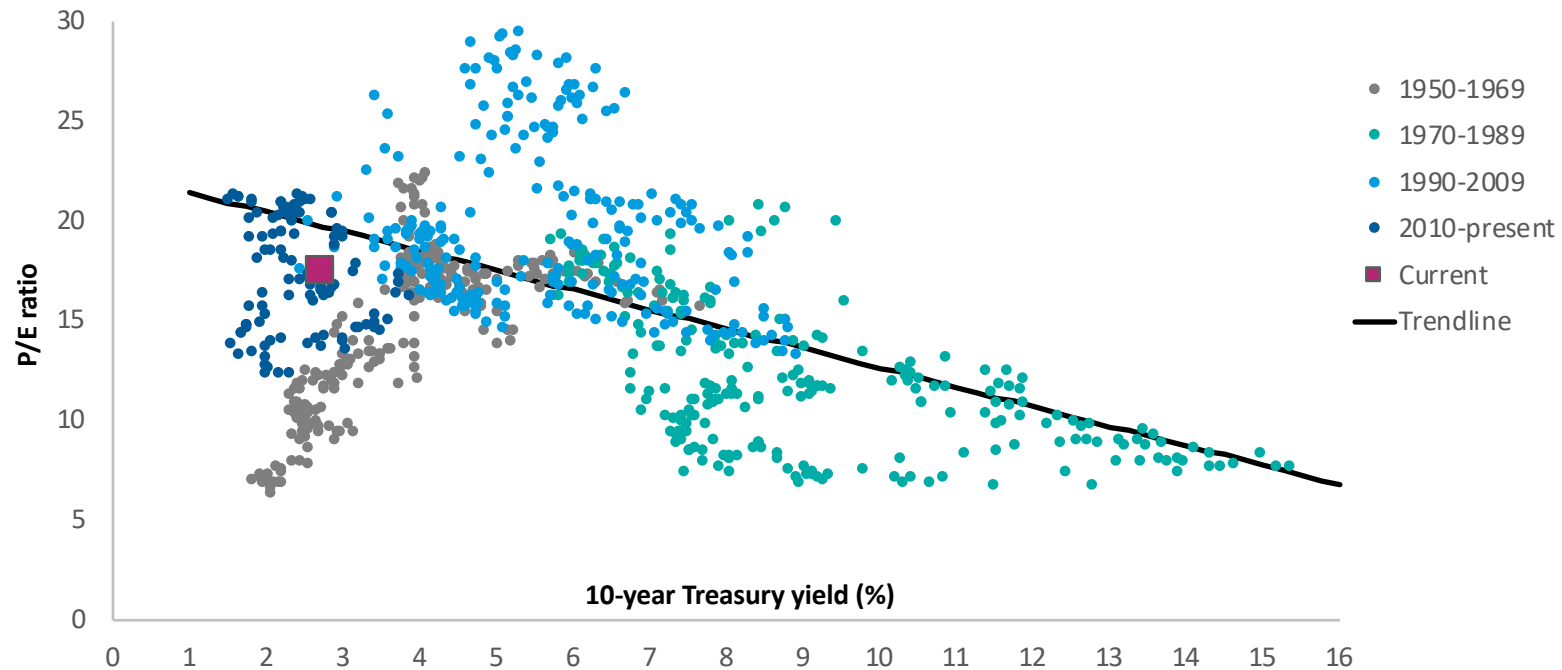


Past results are not a guarantee of future results.

Data as at 31 January 2019. Sources: Institute for Supply Management (ISM), Standard & Poor's

US equity market valuations are high but they may be justified

S&P 500 P/E ratio vs. 10-year US Treasury yield



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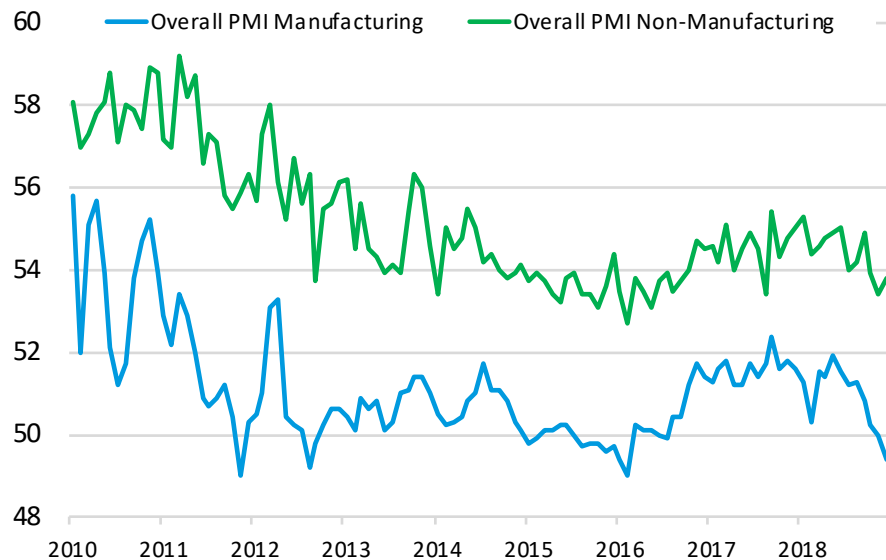
Dots represent monthly data from 31 January 1950 to 31 January 2019. P/E: price to earnings.

Sources: Capital Group, FactSet, US Federal Reserve, Standard & Poor's

China is the story to watch in 2019

A slowing economy and escalating US-China trade negotiations are key risks

Signs of a slowing economy led by manufacturing¹



Chinese manufacturers appear to be struggling to dodge US-imposed duties²

Change in China's market share of US-bound tariffed exports (818 products)³:

↓ 3.5%

3 largest tariffed categories of products³

- | | | |
|---|---|------|
| ① | Electrical machinery & equipment | ↓ 5% |
| ② | Nuclear reactors, boilers and appliances | ↓ 3% |
| ③ | Optical and photographic equipment, medical instruments et al | ↓ 2% |

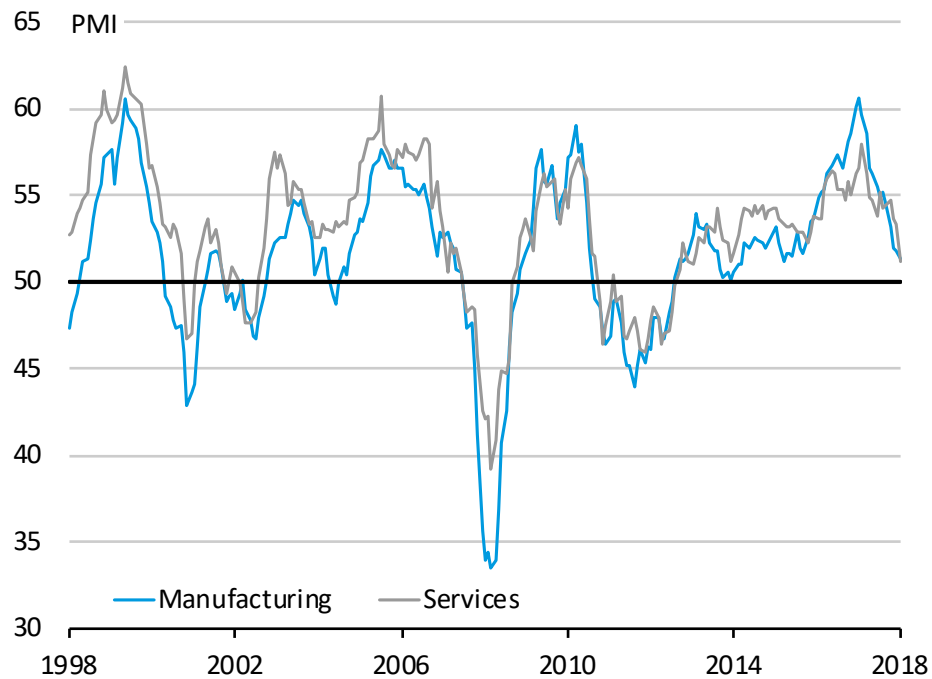
1. Data as at 1 December 2018. PMI: purchasing managers' index. Sources: Capital Group, Thomson Reuters Datastream

2. As published in Financial Times, 24 January 2019. Sources: Standard Chartered, US Census Bureau, Financial Times

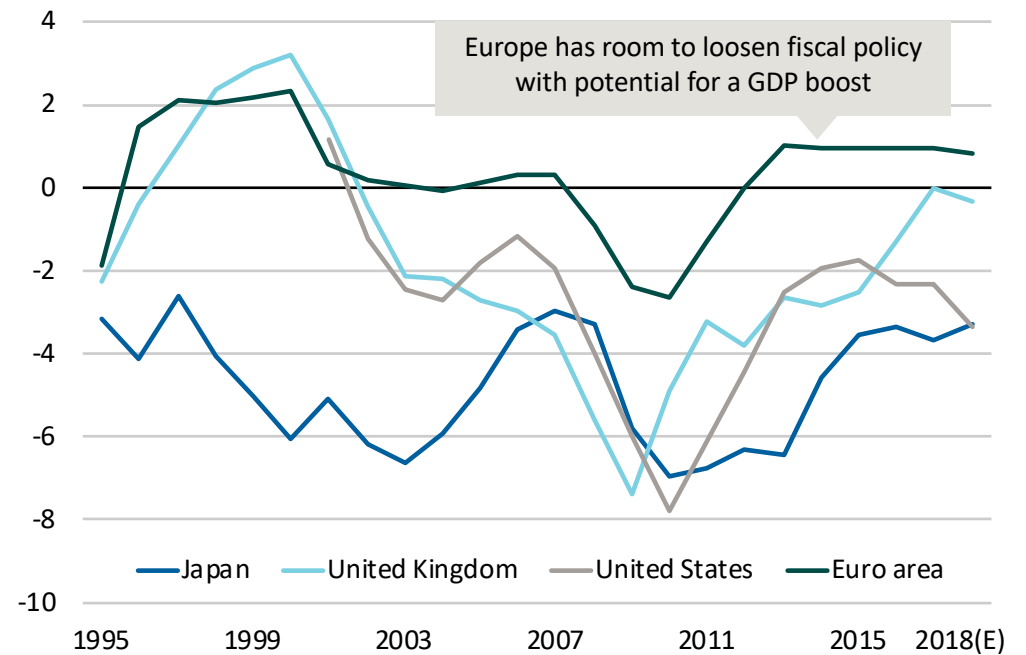
3. Percentage change in market share was calculated by comparing the market share during Aug - Oct 2018 against the average market share during Aug - Oct 2015-17.

Europe's economic recovery has slowed

Euro area manufacturing and services PMI surveys¹



Europe's fiscal squeeze²



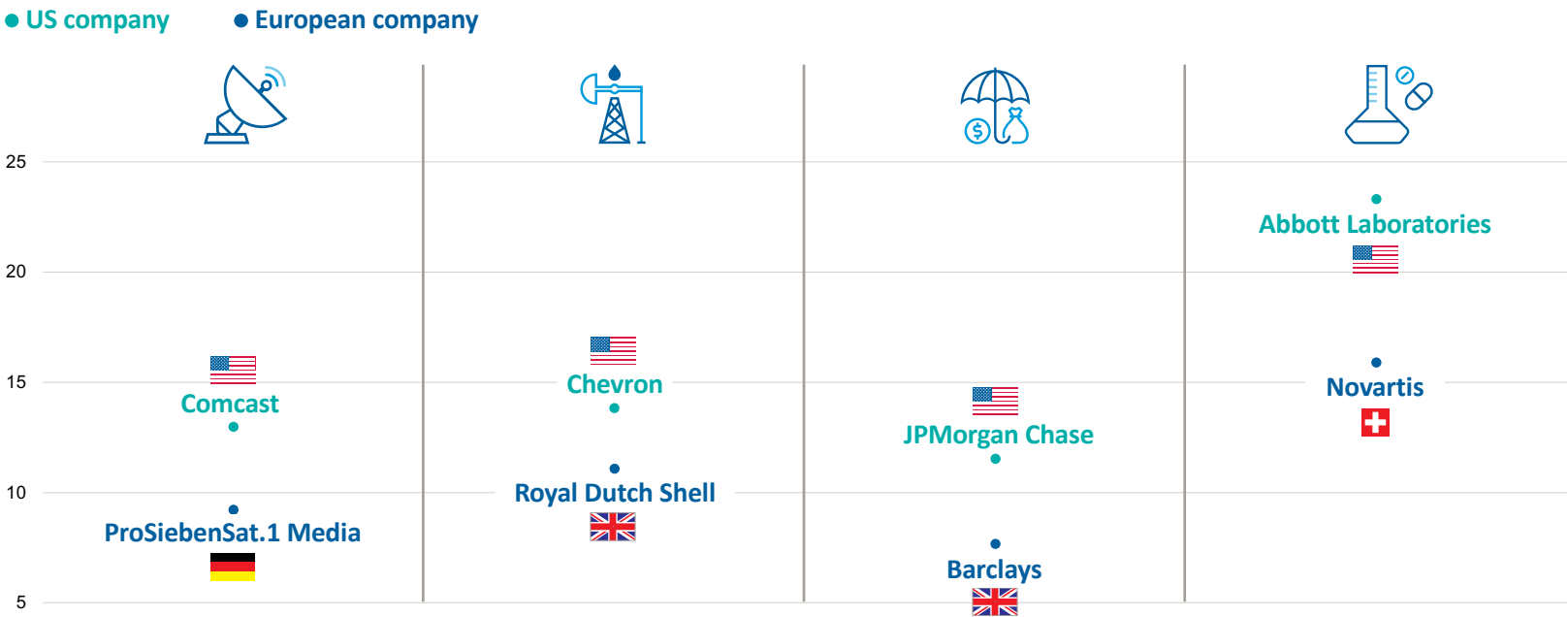
For illustrative purposes only.

1. Data as at 31 December 2018. PMI: purchasing managers' index. Source: Thomson Reuters Datastream

2. General government cyclically adjusted primary budget balance. Actual figures from 1995 to 2017; 2018 is an estimate. GDP: gross domestic product. E: estimate. Sources: IMF, European Commission

Europe: attractive valuations relative to US peers across many sectors

The valuation gap: 12-month forward price-to-earnings ratios show European companies trading at a discount to US counterparts

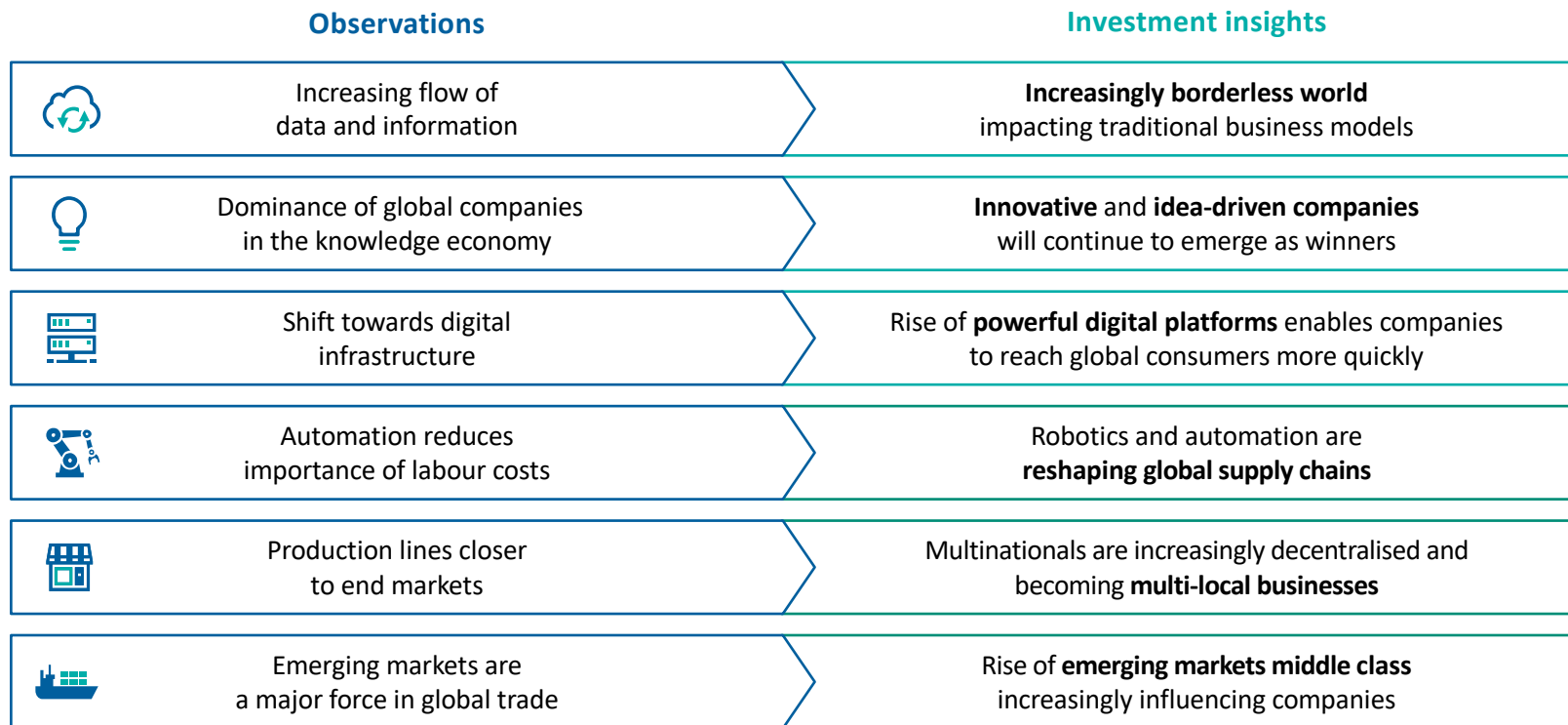


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Data as at 30 September 2018. The sectors mentioned in the chart above from left to right are as follows: communication services, energy, financials and health care. Source: FactSet

Changing nature of globalisation is evolving global investing

Observations that are driving our investment decisions

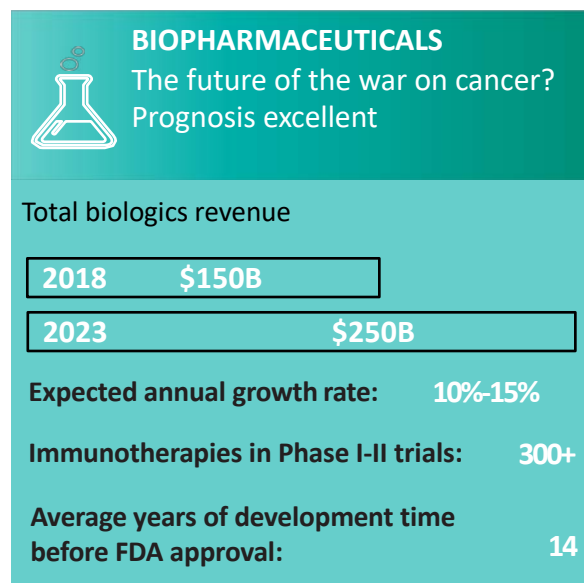
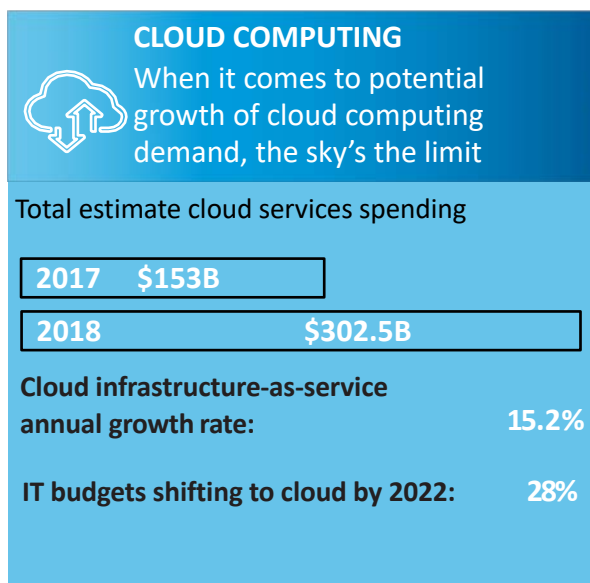


Source: Capital Group

Capital Group

Eyeing companies with long growth runways

Secular growth stories are taking off across industries around the world



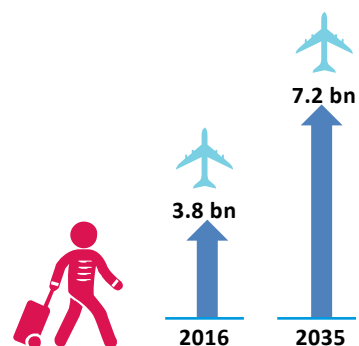
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Sources: Gartner (growth of cloud computing market, IT budget data); Wikibon's 2018 True Private Cloud Forecast and Market Shares (infrastructure-as-a-service growth rate); IMS (biologics growth rate and revenue forecast); phrma.org (average development time for approval by the US Food and Drug Administration (FDA)); International Air Transport Association (air passenger traffic); Capital Group, Boeing, Airbus. Values in USD.

Pursuing high conviction long-term winners defensively

Consumer spending will likely continue to drive global growth over the long-term

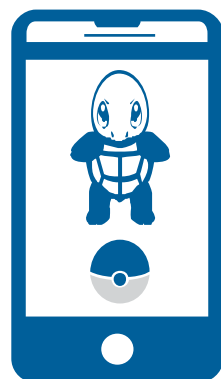
Projected annual air travellers



Travel

Multinationals
well-positioned to benefit

Ctrip, Airbus, Boeing



us\$ **500m**
in **63 Days**

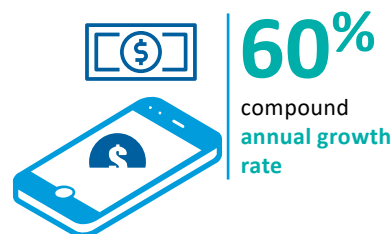
Fastest ever for
mobile games²

Digital entertainment

Multinationals
well-positioned to benefit

Netflix, Nintendo, Activision

Global mobile payment technology market³ (2018 – 2024 forecast)

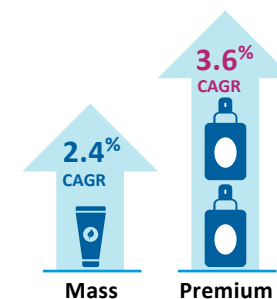


E-commerce

Multinationals
well-positioned to benefit

Amazon, Mastercard, Visa

Global beauty and personal care⁴ (2016 – 2021 forecast)



Everyday items

Multinationals
well-positioned to benefit

Kosé, Nestlé, Nike

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1. Source: International Air Transport Association

2. Pokémon GO, to date the fastest mobile game to reach US\$500 million in sales. Source: App Annie, September 2018

3. Source: Zion Market Research, 30 November 2018

4. Premium segment is defined as goods that cost 20% more than the average price for the category. CAGR: compound annual growth rate. Source: Nielsen, Global Premiumization Report, 2016

Putting it all in perspective

What it means for global equity investors



Geopolitics and global trade tensions likely to drive continued volatility



Certain companies and sectors exhibit long runways for growth



Focusing on fundamentals can help identify long-term winners



In this environment, active management becomes key

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Introducing Capital Group New Perspective Fund (AU)

One of our most successful strategies, uncovering global trends for over 45 years

Investment objective

The fund invests in global equities and seeks to achieve long-term growth of capital by investing in common stocks of companies located around the world. Future income is a secondary objective.

-
- | | | |
|---|---|---|
|  <p>A bottom-up approach to capture strong multinationals</p> <ul style="list-style-type: none">• Established multinationals to provide resilience• Early-stage multinationals to provide growth• Focuses on where a company derives its revenue |  <p>Seeks companies that take advantage of global trade patterns</p> <ul style="list-style-type: none">• Companies that stand to gain from changing global trade patterns, and economic and political relationships• May also be at the forefront of creating, driving and shaping the trends of the future |  <p>A time-tested strategy with a proven track record</p> <ul style="list-style-type: none">• Since launch, strategy has returned 13.3% p.a.¹ vs 9.8% p.a. for MSCI ACWI²• It has outpaced the index 100% of the time in rolling three-year down markets, and 84% of the time in up markets¹ |
|---|---|---|

Past results are not a guarantee of future results.

Data as at 31 December 2018

1. Results prior to Capital Group New Perspective Fund (AU) (CGNPAU) launch on 20 November 2015 are derived from the American Funds New Perspective Fund (AF NPF) in A\$ from 31 March 1973. CGNPAU and AF NPF are managed by the same team of managers and have the same investment strategy, restrictions and risk profile. The returns after fees, based on the total management cost of 1.05% p.a. that was applicable to CGNPAU up until 30 April 2017, 0.95% p.a. with effect from 1 May 2017. The benchmark shown is the MSCI ACWI ex Australia (with net dividends reinvested) from 20 November 2015; previously MSCI ACWI (with net dividends reinvested) from 30 September 2011 and MSCI World Index (with net dividends reinvested) prior to that. Sources: Capital Group, MSCI
2. MSCI All Country World Index (ACWI). Source: MSCI

Identifying global champions of today and tomorrow

Multinational companies possess key advantages that allow them to thrive in multiple environments



Diversified revenue
stream



Nimble and can
adapt to change



Innovative




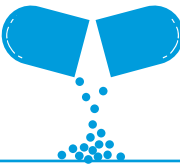
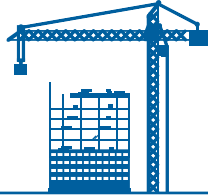



Experience and
endurance



A strategy that continues to stay relevant over the long term

Over 45 years of identifying companies that have driven and benefitted from changing global trade

					
Early 70s	70s and 80s	1990s	Early 2000s	2000s	2010s
Basic resources dominate	The rise of home computing and personal electronics	A new generation of mobile communications	Innovation in healthcare	The rise of emerging markets and rapid urbanisation of China	The age of digital disruption
High exposure in strategy to	High exposure in strategy to	High exposure in strategy to	High exposure in strategy to	High exposure in strategy to	High exposure in strategy to
Oil and metals	Electronics and computers	Telecoms and media	Pharmaceuticals and biotechnology	Consumer products and mining	E-commerce and internet platforms
Key New Perspective holdings	Key New Perspective holdings	Key New Perspective holdings	Key New Perspective holdings	Key New Perspective holdings	Key New Perspective holdings
Marathon Oil Standard Oil of California Alcan Aluminium	IBM National Semiconductor Intel	Ericsson Time Warner News Corp	Pfizer AstraZeneca Novartis	Nestlé Vale POSCO	Amazon.com Naspers ASML

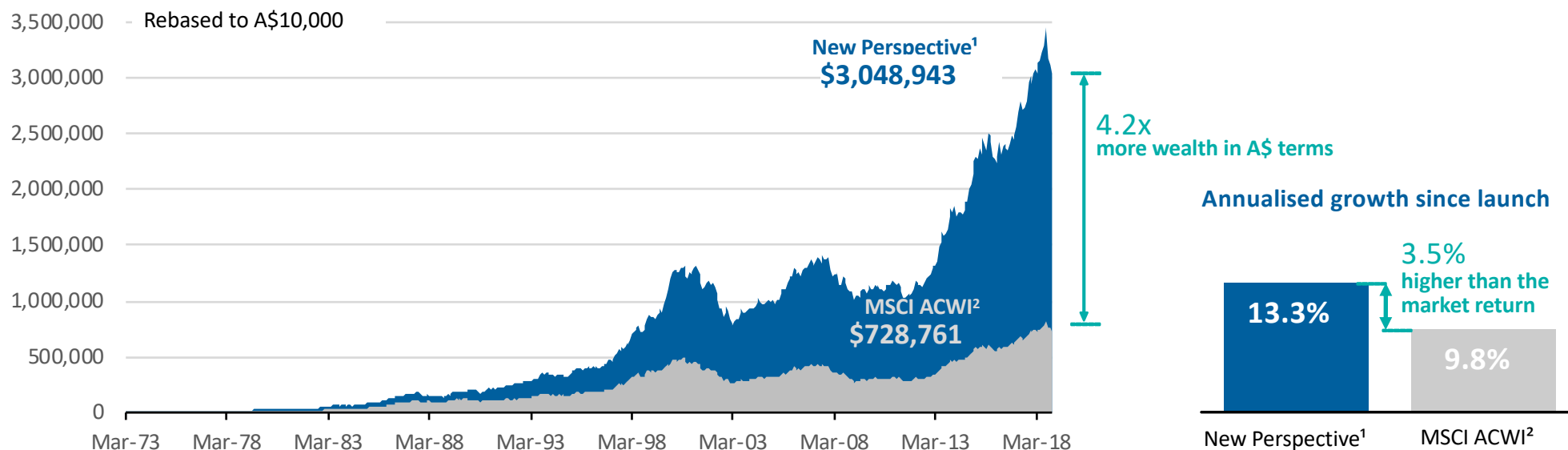
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Holdings were top 20 positions in the representative account for the New Perspective strategy during the relevant periods (inception: 31 March 1973). Not all of the companies referenced are currently held in Capital Group New Perspective Fund (AU), which was launched on 20 November 2015. Source: Capital Group

The value of a long-term perspective

The power of compounding excess returns

Capital Group New Perspective strategy: The value of A\$10,000 invested at launch



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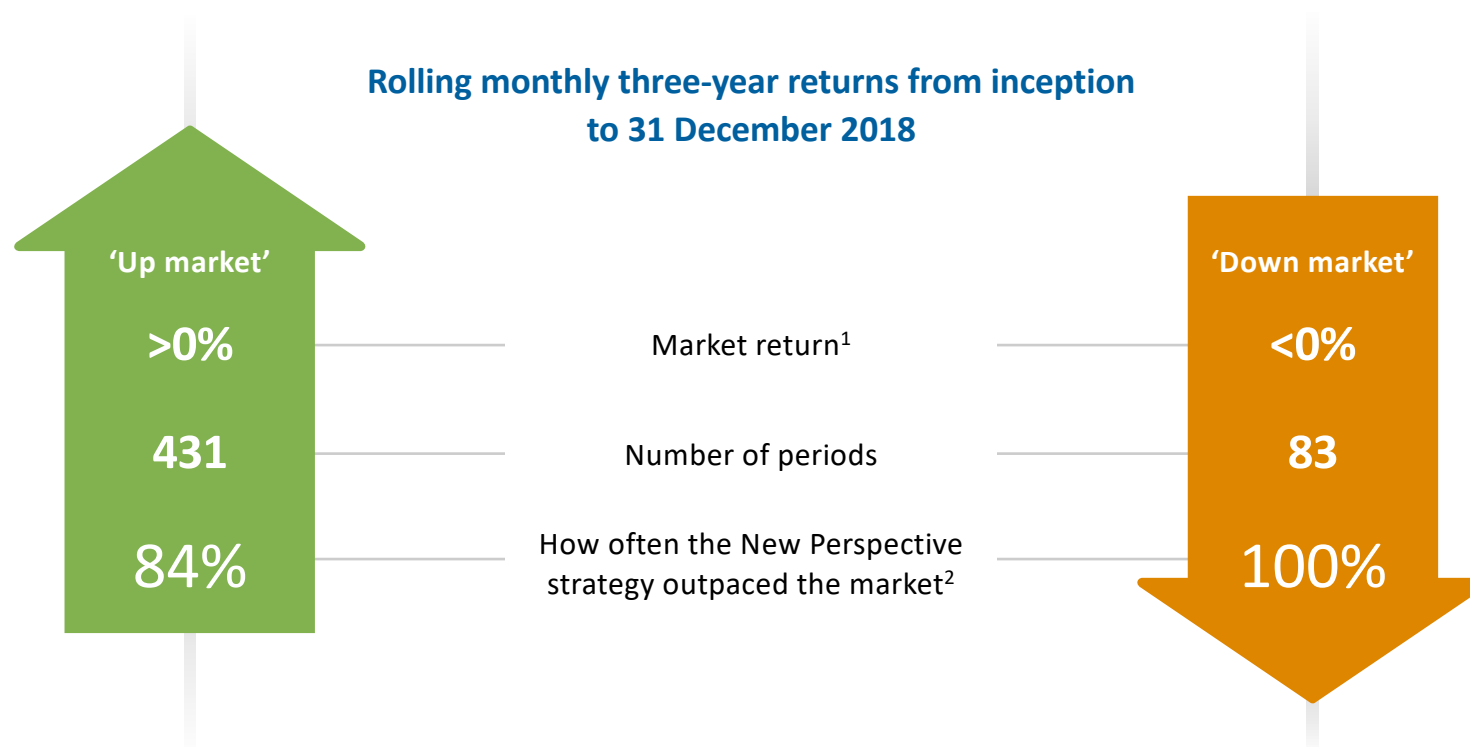
Data as at 31 December 2018.

1. Results prior to CGNPAU's launch on 20 November 2015 are derived from the American Funds New Perspective Fund in A\$ from 31 March 1973. The returns are after fees, based on the total management cost of 1.05% p.a. that was applicable to CGNPAU up until 30 April 2017 and 0.95% with effect from 1 May 2017. American Funds are not registered for sale outside of the United States. Source: Capital Group

2. MSCI ACWI ex Australia (with net dividends reinvested) from 20 November 2015; previously MSCI ACWI (with net dividends reinvested) from 30 September 2011 and MSCI World Index (with net dividends reinvested) prior to that. Source: MSCI

New Perspective has offered good protection when markets have underperformed

Capital Group New Perspective strategy has proven resilient



Past results are not a guarantee of future results.

1. MSCI ACWI (net dividends reinvested) in US\$ from 30 September 2011; previously MSCI World (with net dividends reinvested). Source: MSCI

2. Relative returns for the Capital Group New Perspective strategy, in US\$ terms. Returns are net of fees, based on the total management cost of 1.05% p.a. that was applicable to CGNPAU up until 30 April 2017 and 0.95% with effect from 1 May 2017. American Funds are not registered for sale outside of the United States. Results shown are compared with MSCI ACWI (net dividends reinvested) from 30 September 2011; previously MSCI World (with net dividends reinvested). Sources: Capital Group, MSCI

Capital Group New Perspective Fund (AU): Top 10 holdings

1	Amazon.com United States	<ul style="list-style-type: none"> • Leader in e-commerce and cloud infrastructure services • Accounts for almost half of all US e-commerce sales • Extensive distribution networks with dominant scale and competitive moat • Formidable growth and free cash flow generation
2	TSMC Taiwan	<ul style="list-style-type: none"> • World-leading integrated circuit foundry with a global client base and near monopolistic position result in a widening competitive moat in a secular growth industry • Strong balance sheet, attractive free cash flow generation and a growing dividend boosted by secular industry tailwinds for growth
3	Alphabet (Google) United States	<ul style="list-style-type: none"> • Known for its search engine Google, Alphabet is the diversified internet business and pioneer in AI and machine learning • Strong earnings growth driven by dominance in web and mobile search plus on-demand video content (YouTube) • Additional businesses offer potential upside, including its driverless car technology and the Google Cloud Platform
4	Microsoft United States	<ul style="list-style-type: none"> • Microsoft is a critical partner to enterprises for productivity and infrastructure software • Huge addressable market opportunity for Microsoft Azure, the company's intelligent cloud computing business, in which it continues to make significant investments • Continues to generate significant free cash flows
5	Facebook United States	<ul style="list-style-type: none"> • Social media platform with more than 2.5 billion monthly active users across its leading digital apps: Facebook, Instagram, Messenger, WhatsApp • Dominant position is shaping structural trend as more advertising spend shifts to internet and connected devices • High-margin, low-capital-intensity business model

Past res
or sell any security or instrument listed herein.

Data as at 31 December 2018. Source: Capital Group

Capital Group

6	Broadcom United States	<ul style="list-style-type: none"> • Broadcom is a leading manufacturer of a broad range of digital and analogue semiconductor connectivity solutions • Growing markets offer a significant opportunity for long-term growth; including data centres, wireless and mobile communications, enterprise storage and industrial applications • Management team led by a visionary CEO with a prolific record in acquisitions and capital allocation
7	JPMorgan Chase United States	<ul style="list-style-type: none"> • One of the largest and highest quality global financial institutions in the US • Well-diversified business both in geography and in terms of the underlying portfolio of businesses • Well-managed bank with strong capital and expense discipline • Attractive valuation and yield relative to the market
8	CME United States	<ul style="list-style-type: none"> • The world's leading derivatives marketplace • Solid volume growth outside of its home US market. • Beneficiary of rising volatility and transactional volumes • Longer term, regulatory changes around counterparty risk are likely to be positive for centralised exchanges like CME
9	MasterCard United States	<ul style="list-style-type: none"> • MasterCard provides payment solutions and transaction-processing services across its global network. The company has benefitted from increasing penetration of card, contactless and smartphone payments across the globe • Has delivered consistently strong earnings growth supported by this secular shift to digital payments • Strong management team and technology leadership
10	Tesla United States	<ul style="list-style-type: none"> • A leading manufacturer of battery electric vehicles (BEVs) Electric vehicle penetration is low and expected to grow significantly over the coming years • This shift is being driven by consumer demand, subsidies and regulation • Tesla is at the forefront of this shift in demand as a vehicle manufacturer dedicated solely to BEVs

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Platforms, ratings and awards

Platforms

- BT Wrap and Panorama, Investment and Super
- CFS FirstWrap, Investment and Super
- Macquarie Wrap, Investment and Super
- MLC Wrap, Investment and Super
- IOOF Pursuit and IOOF Badges, Investment and Super
- Netwealth, Investment and Super
- HUB24, Investment and Super
- Mason Stevens



Ratings



Morningstar Analyst Rating™



Lonsec
"Recommended"



Zenith
"Recommended"



SQM Research
4½ stars out of five: "Outstanding"

Award



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