

Multiple Perspectives. One Approach.SM

Seeking better investment outcomes over the long term.

Capital Group: A disciplined and consistent approach to investment

- A multiple-portfolio-manager approach that draws on diverse perspectives
- A collaborative culture that aligns interests for the long term
- An established global research platform that ensures the flow of investment ideas
- A disciplined, consistent approach to managing investment risk

Founded in Los Angeles during the Great Depression, Capital Group has more than 80 years of experience managing clients' assets. It has developed its unique multiple-portfolio-manager approach, a modular system that involves individual managers taking responsibility for portions of a portfolio yet avoids isolated decision-making. Internal processes intended to improve the investor experience and enhance returns have evolved as well.

By concentrating on assets with potential to be durable investments rather than trying to time the market, Capital believes it is possible to create greater value over the long term. Its own experience shows how the tried-and-tested process used in its New Perspective strategy has helped deliver consistent, superior results for more than 40 years¹.

While the trend towards passive management has gained momentum recently, some active managers have been able to add greater value than market cap-weighted indices and the majority of their active peers. These

managers are relatively few in number, but we believe that there are some important characteristics that set them apart. In our experience, a high degree of manager ownership, incentives closely aligned with clients' time horizons and

Past results are not a guarantee of future results.

1. As the strategy was first made available to European and Asian investors in 2015, a meaningful track record has yet to be established, so the investment results stated are for the Capital Group New Perspective Composite (a single group of discretionary portfolios that collectively represent a particular investment strategy or objective). This is to illustrate our experience and capability in managing this strategy over the long term. Sources: Capital Group, MSCI

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a disciplined, consistent approach to buying and holding investments for the long term all contribute to a constructive environment for long-term investing.

Although it is not representative of all Capital Group's investment activities, the New Perspective strategy illustrates how an actively managed, rigorous process has delivered attractive

benchmark-relative results over multiple market cycles.

This paper sets out how Capital Group's structure has supported a flexible global equity strategy that has generated excess returns in all downmarkets since 1973 on a rolling monthly three-year basis, and led in the majority of upmarkets as well.²

A collaborative culture that aligns interests for the long term

Prioritising the long-term interests of investors is central to Capital Group's approach to value creation. Capital uses a distinctive, modular system of management that allows groups of portfolio managers to work together to manage individual investment strategies.

can flow from one manager to another, without disrupting the strategy itself.

Capital Group has a positive record of manager retention, as shown in Exhibit 1, with one of the highest retention rates in the industry.⁴

Firms with the highest levels of manager tenure, manager retention, and ownership of mutual fund shares also have delivered better outcomes for investors.

Morningstar, 2014³

Each strategy is divided into portions of assets, overseen by an individually accountable manager. A single mandate manager is responsible for overall oversight. The resulting portfolios may be difficult to characterise using attribution analysis, but past experience suggests that the modular system has the potential to enhance the consistency of returns. Working collaboratively ensures diverse perspectives and that managers do not make isolated decisions. It also helps succession planning, as management

The New Perspective strategy currently has seven experienced portfolio managers, all of whom have their own assets invested. (Past research by Morningstar has suggested that strategies with high manager retention and ownership tend to have higher success rates than their peers.⁵) The portfolio managers' incentive structure is designed to encourage longer-term perspectives, with compensation based around one-, three-, five- and eight-year cycles.

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2. Based on relative returns calculated geometrically for the Capital Group New Perspective Composite, in US\$ terms and before fees and expenses, compared with MSCI All Country World Index (MSCI ACWI) (net dividends reinvested) from 30 September 2011; previously MSCI World (with net dividends reinvested). The excess return is calculated arithmetically. As at 31 March 2016. Sources: MSCI, Capital Group

The data are gross of fees. For net of fees data, please refer to the table on page 8 of this document.

3. 2014 Morningstar US Mutual Fund Industry Stewardship survey

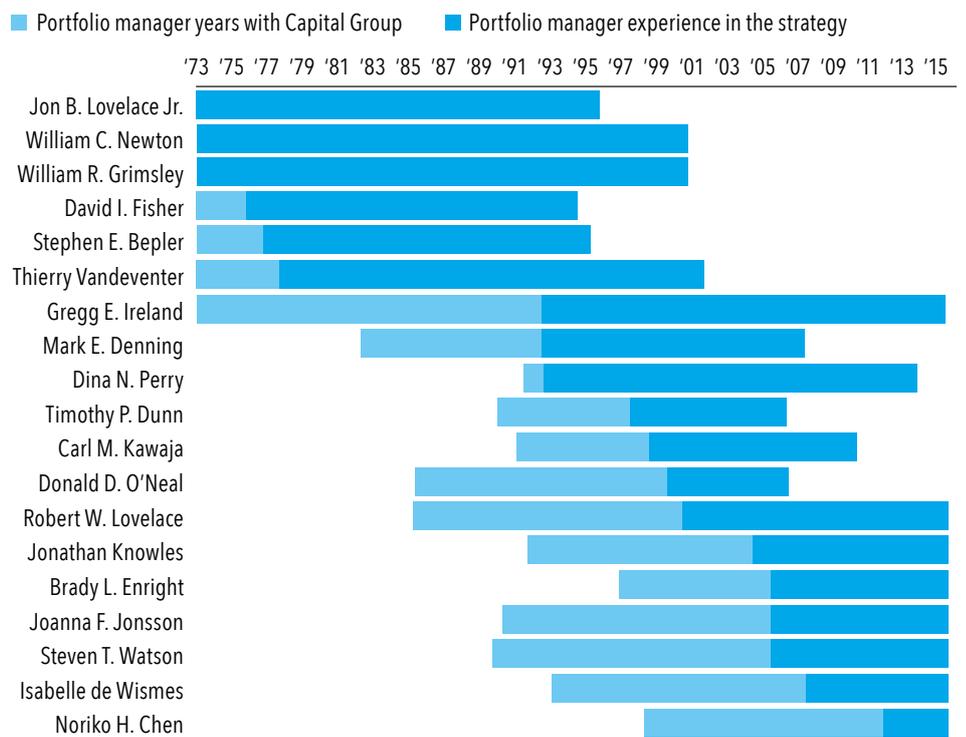
4. American Funds, as at 31 December 2014. Based on the proportion of portfolio managers who stayed with the firm in the previous 5-year period. Source Morningstar.

5. Based on a 5-year analysis of Morningstar 500 funds, using data required by the US Securities and Exchange Commission (SEC) for managers to reveal how much they have invested in their own funds. Funds in which portfolio managers were invested generated better investment results than funds in which managers had zero ownership, across all categories of assets. The study also revealed a tendency for the greatest success rate from funds in which managers had invested more than US\$1 million of their own. 'Why you should invest with managers who eat their own cooking'. 3 March 2015. Source: Morningstar

**Exhibit 1: The Capital SystemSM:
 Succession planning is built into
 the system**

The New Perspective strategy has had 19 managers in its 43-year history, and delivered excess returns across market cycles for more than four decades.¹

Smooth transitions in the Capital Group New Perspective strategy



As at 31 December 2015. Source: Capital Group

**An established global research platform that ensures the flow
 of investment ideas**

Many analysts have tracked companies through a number of economic cycles, so they are uniquely positioned to assess a company's prospects for building shareholder value.

Fundamental research is the engine of the investment process at Capital Group. Portfolio managers draw on the insights of a well-funded, globally integrated research network built up since the 1950s. Analysts based in 13 investment and research offices around the world⁶ build insights from multiple sources of information gathered from the research visits made each year. By communicating through industry cluster groups, global investment calls and research trips, analysts work together to gain deeper, local insights into the companies that they follow (see Exhibit 2, next page).

At Capital Group, research is viewed as a career option, not a stepping stone to portfolio management roles. Long-tenured analysts are valued; many have tracked companies through a number of economic cycles, so they are uniquely positioned to assess a company's prospects for building shareholder value.

Analysts are able to invest in a research portfolio, allowing investors to benefit directly from their best ideas. Analysts' research is never sold or made available to third parties.

6. Capital Group has 13 investment and research offices around the world, located in Los Angeles, New York, San Francisco, Washington DC, Toronto, Geneva, London, Beijing, Hong Kong, Mumbai, São Paulo, Singapore and Tokyo. As at 31 December 2015. Source: Capital Group

Exhibit 2: Our global research platform allows us to develop local insights into global companies

Profit split⁷: 50.5% South Africa, 29.4% Rest of EM, 18.8% Europe, 0.9% North America, 0.5% Japan

Case study: Naspers, a South-African listed media company tapping into fast-growing digital markets⁸

Sugi Widjaja
 Asia Internet
 equity analyst
 Hong Kong office



Dawid Justus
 South Africa
 equity analyst
 London office



Peter Gusev
 Russia Internet
 equity analyst
 London office



Naspers has a 34% stake in Tencent, China's largest internet provider.

Naspers owns the leading pay-TV and print assets in Africa, as well as a portfolio of internet and print assets in other developing regions.

Naspers has a 29% stake in Mail.Ru., one of the top three internet providers in Russia.

Naspers' growth prospects



Naspers' management is focused on long-term value creation and has a strong track record of achieving that via both acquisitions and disposals. A joint venture with Schibsted in 2014 has strengthened Naspers' position in growing markets including Brazil, Indonesia, Thailand and Colombia.

7. Figures may not total 100 due to rounding.

8. 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. Statements attributed to an individual represent the opinions of that individual as of the date published and do not necessarily reflect the opinions of Capital Group or its affiliates. The information provided is intended to highlight issues and not to be comprehensive or to provide advice. Based on Capital Group integrated analyst research as at 31 December 2014. Sources: MSCI, FactSet

The New Perspective strategy has a well-established, repeatable process for selecting securities. Eligibility for investment is dependent on:

- Our belief that the company is an established multinational or has potential to become one
- A significant portion of assets held, or revenue generated, outside the home market
- Evidence of financial stability and ability to allocate capital effectively
- Liquid stock, meeting an established free-float threshold

A disciplined, consistent approach to buying and holding investments

The ability to time the market effectively - buying and selling based on expectations of future asset price movements - is elusive. Capital Group research suggests that investing with high conviction, buy-and-hold strategies, rather than attempting to second-guess markets, can be more effective at building value over the long term.⁹

Capital Group has always worked with a long-term time horizon when seeking investments. Analysts aim to identify securities based on specific risk reward trade-offs, using fundamental analysis and paying close attention to

valuations. There are well-established, repeatable processes in place for selecting securities for inclusion in a portfolio and reducing exposure, if appropriate.

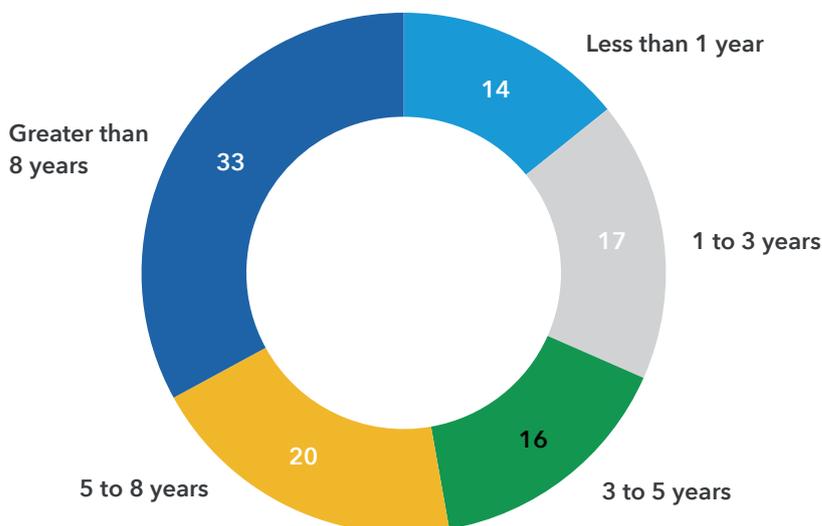
The New Perspective strategy concentrates on companies that analysts believe have distinctive competitive advantages and durable franchises.

More than half of all holdings in the New Perspective strategy have been held for more than five years¹⁰, as Exhibit 3 below shows, while a number have been held for more than a decade.

Exhibit 3: New Perspective strategy¹¹: 'Time held' analysis

More than half of all positions have been held for more than 5 years

Holding periods of portfolio holdings (%)



9. Based on a comparative study of three different loss aversion strategies (categorised as 'High', 'Moderate' or 'Low'). The study modelled the impact of investing a notional US\$100,000 between 1970 and 2014, selling 50% of the portfolio when the MSCI All Country World Index declined by 10%, 15% and 20% respectively, then reinvested the proceeds when the market rose 25%, 37.5% and 50% from its trough. See 'Long-term investing can help counter investors' behavioural biases'. March 2016. Source: Capital Group

10. As at 31 March 2016. Source: Capital Group

11. Based on 'time held' analysis of holdings in the New Perspective representative account, excluding holdings in the initial period of acquisition, as at 31 March 2016. Source: Capital Group

In our experience, the collaboration of portfolio managers with diverse perspectives combined with an investment edge from bottom-up, fundamental research can be significant differentiators.

Capacity to add value in downmarkets

Active managers have particular scope to add value in downmarkets, through their ability to invest outside the constraints of the benchmark, and by accessing specific return drivers that can shelter investors when markets sell off. In contrast, investments made by passive investors will capture 100% of a market decline. Capital Group has always emphasised the importance of capital preservation; it plays an important role in long-term wealth creation, due to the effect of compounding.

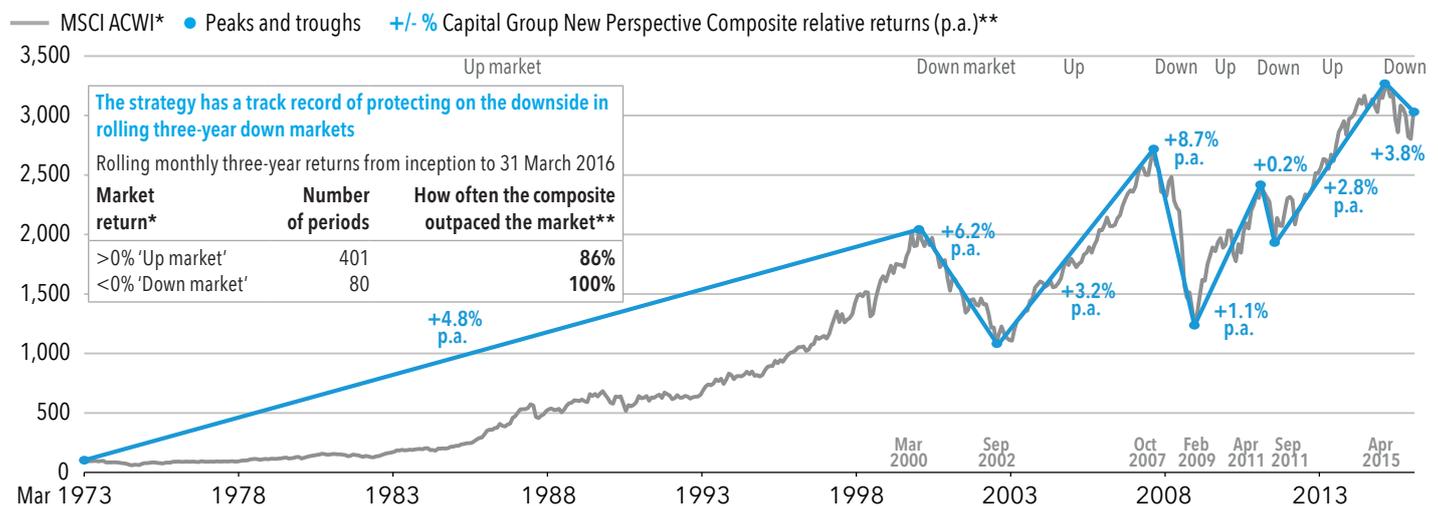
investment edge from bottom-up, fundamental research¹³ can be significant differentiators. For the New Perspective strategy, holding companies with diverse sources of income has helped mitigate downside risk. The portfolio has generally held up well in major market corrections, as shown in Exhibit 4.

The long-term returns history shows that the portfolio has generally held up well in major market corrections.

In our experience, the collaboration of portfolio managers with diverse perspectives¹² combined with an

Exhibit 4: A strategy for different market conditions

Track record of Capital Group New Perspective strategy in 'up markets' and 'down markets'



Past results are not a guarantee of future results. Data as at 31 March 2016.

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* MSCI All Country World Index (ACWI) (with net dividends reinvested) in US\$ terms from 30 September 2011; previously MSCI World (with net dividends reinvested). Source: MSCI

** Relative returns calculated geometrically for the Capital Group New Perspective Composite, in US\$ terms and before fees and expenses, compared with MSCI ACWI (net dividends reinvested) from 30 September 2011; previously MSCI World (with net dividends reinvested). Sources: Capital Group, MSCI

The data are gross of fees. For net of fees data, please refer to the table on page 8 of this document.

12. The managers of the New Perspective strategy have a median of 27 years of investment experience. As at 31 December 2015. Source: Capital Group

13. Capital Group's research is used solely for clients' benefit and is not published externally.

Conclusion

Although few active managers have been able to add value over multiple cycles, there are clearly identifiable features that we believe can enhance prospects of success. A high degree of manager ownership, incentives closely aligned with clients' time horizons and a disciplined, consistent approach to buying and holding investments for the long term all contribute to a more constructive environment for long-term investing.

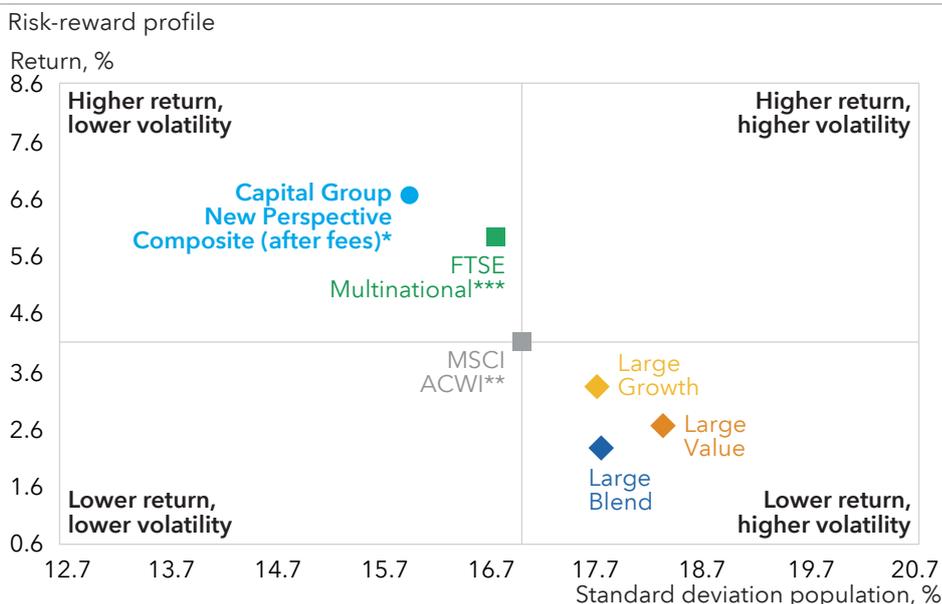
In the case of the New Perspective strategy, combining these features with the skills of collaborative, experienced, active portfolio managers has led to

portfolio outcomes that are notably better than both the global equity benchmark and global multinational index, on both an absolute and a risk-adjusted basis. In the past 10 years, for example, the return has been higher, and the volatility lower, than the FTSE Multinational Index, MSCI ACWI as well as factor-driven strategies based on companies with 'Large Growth' and 'Large Value' characteristics.

We believe these factors mean that the strategy is well placed to continue to help clients achieve their objectives for many years to come.

Exhibit 5: New Perspective strategy: 10-year risk-reward profile

Return has been higher and the volatility has been lower than the FTSE Multinational Index, MSCI ACWI and select factor-driven strategies.



Past results are not a guarantee of future results.

'Large Blend', 'Large Growth' and 'Large Value' refer to the median of the following Morningstar peer group: (5%-95%): Europe/Asia/Africa Open-Ended Global Large Cap Equity (oldest share class) divided into three sub-universes: Global Large Cap Blend Equity, Global Large Cap Growth Equity and Global Large Cap Value Equity. Peer group returns are based on monthly returns in US\$. Source: Morningstar Direct

* The results shown are for the Capital Group New Perspective Composite after fees (based on 75bp management fee). The composite is asset-weighted based on initial weights and monthly returns. As at 31 March 2016. Source: Capital Group

** MSCI All Country World Index (ACWI) (net dividends reinvested) in US\$ terms from 30 September 2011; previously MSCI World (with net dividends reinvested). Source: MSCI

*** FTSE Multinationals Index (Total Return). This index comprises companies that derive more than 30% of their revenue from outside their domestic region. Source: Thomson Reuters Datastream

The data are gross of fees. For net of fees data, please refer to the table on page 8 of this document.

June 2016

Additional information

Performance of Capital Group New Perspective Composite, in US dollar terms

Periods ending 31 March 2016, %	Lifetime ¹	20 years	15 years	10 years	5 years	3 years	1 year	3 months	1 month
Capital Group New Perspective Composite									
- gross of fees ²	13.0	10.0	8.2	7.4	8.4	9.0	-1.1	-2.3	6.6
- net of fees ³	11.8	8.9	7.1	6.3	7.3	7.9	-2.1	-2.5	6.5
MSCI AC World ⁴	8.2	5.5	4.6	3.8	5.5	5.5	-4.3	0.2	7.4

Past results are not a guarantee of future results. Data as at 31 March 2016.

1. Lifetime: 31 March 1973 through 31 March 2016 (43 years)

2. Asset weighted composite based on initial weights and monthly returns. Gross of management fees. Source: Capital Group

3. The after fees returns are based on the total management cost of 1.05% p.a. Actual investment results net of management fees may differ depending on investor profile and size of investment. Source: Capital Group

4. The benchmark shown is the MSCI AC World (net dividends reinvested) from 30 September 2011. Previously MSCI World (net dividends reinvested). Source: MSCI

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