

# Outlook

2025 MIDYEAR EDITION



Long-term  
perspective on  
markets and  
economies



# 2025 Midyear Outlook

As we reach the midpoint of 2025, the change we've witnessed since the start of the year is staggering and has translated into a high level of market volatility. So much has happened so quickly, it feels a bit like the title of the Oscar-winning movie *Everything Everywhere All at Once*. We are living in interesting times, and they are different from anything I've seen in my 35 years at Capital Group.

We are in the middle of a fundamental restructuring of the geopolitical order that we've known since the end of World War II – politically, militarily and economically. The integrated global system we've come to rely on over the past several decades is rapidly changing and may look very different going forward. We can't assume this system will survive in the years ahead, whether that means the end of multinational military alliances, the abandonment

of long-held agreements between trading partners, or the redrawing of complex supply chains that have dominated global trade.

At the moment, investors don't know how these events will play out, and that's why the financial markets are having a difficult time finding a clear direction. Volatility rose sharply in the first half of the year as tariff-induced trade wars and real wars dampened the global outlook. This lack of clarity is affecting the decisions of investors and company managements alike. It's become much harder to determine where to invest, over what period and what types of returns to expect. In my view, that has led directly to the stock market correction we saw earlier this year, as well as higher yields on U.S. Treasury bonds and a decline in the value of the U.S. dollar.

We must keep in mind, however, that we started the year at a point of extremely high U.S. equity valuations. One could argue a correction was overdue. There was a lot of good news baked into the market after the presidential election. Recent trade deals involving the U.S., U.K. and China are encouraging signs that some of the uncertainty could be resolved in the second half of the year. And that may help us envision a framework for the future.

In the meantime, you've heard this message from Capital Group many times before, but it bears repeating: Volatility presents opportunity for fundamental, bottom-up investors. It's our job to identify compelling investment themes in this or any market environment. In these pages, we offer you an overview of those opportunities as we see them.

With that in mind, I invite you to read and share our 2025 Midyear Outlook report.



We are in the middle of a fundamental restructuring of the geopolitical order.

**Jody Jonsson**  
Vice Chair and Portfolio Manager  
Capital Group

# Economic outlook: Higher uncertainty and lower growth

## Policy uncertainty has weighed on markets

Bloomberg U.S. Economic Policy Uncertainty Index



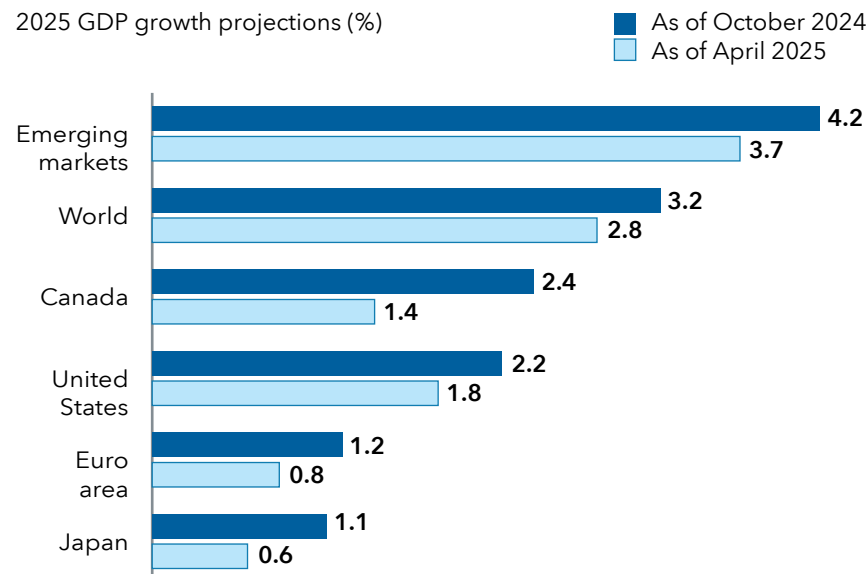
There are many ways to describe the outlook for the U.S. and world economies. But at the midpoint of 2025, one word has risen to the top of the lexicon: uncertainty.

A lack of clarity over U.S. trade policy – with rising tariffs at the centre of the storm – has delivered a severe shock to the global economy. For the first time since 2022, U.S. gross domestic product (GDP) in the first quarter declined. Some companies stopped issuing forward guidance. Capital expenditures have been delayed. Cargo volumes have plummeted at major ports. And hiring has slowed.

Sources: Capital Group, Bloomberg Index Services Ltd. Figures reflect the six-month moving average of the Bloomberg Economic Policy Uncertainty Index between June 30, 1985, and May 31, 2025. Index values are based on keywords and headlines from news articles.

## Growth projections have been revised downward

2025 GDP growth projections (%)



As policy uncertainty rises, global economic growth projections are falling. Downward revisions already have been issued for the U.S., Europe, Japan and many emerging markets, based on the latest available figures from the International Monetary Fund. Recent limited trade deals involving the U.S., U.K. and China are encouraging, but much remains to be done.

“Many companies are hitting the pause button because they don’t know what the rules are going to be a week, a month or a year from now,” Capital Group economist Darrell Spence explains. “Even if some tariffs are ultimately lowered or rescinded, this pause effect is going to have an impact. Whether that pushes us into a recession or not remains an open question, but it raises the risk significantly.”

Source: International Monetary Fund, *World Economic Outlook*, April 2025. Reflects latest IMF projections as of May 31, 2025. Real GDP is adjusted for inflation, providing a more accurate measure of economic growth.



# 4 scenarios for a changing global landscape

A global trade war and shifting political alliances could slow growth, boost inflation and raise the risk of a recession. On the other hand, markets could respond positively to swift and successful trade negotiations.

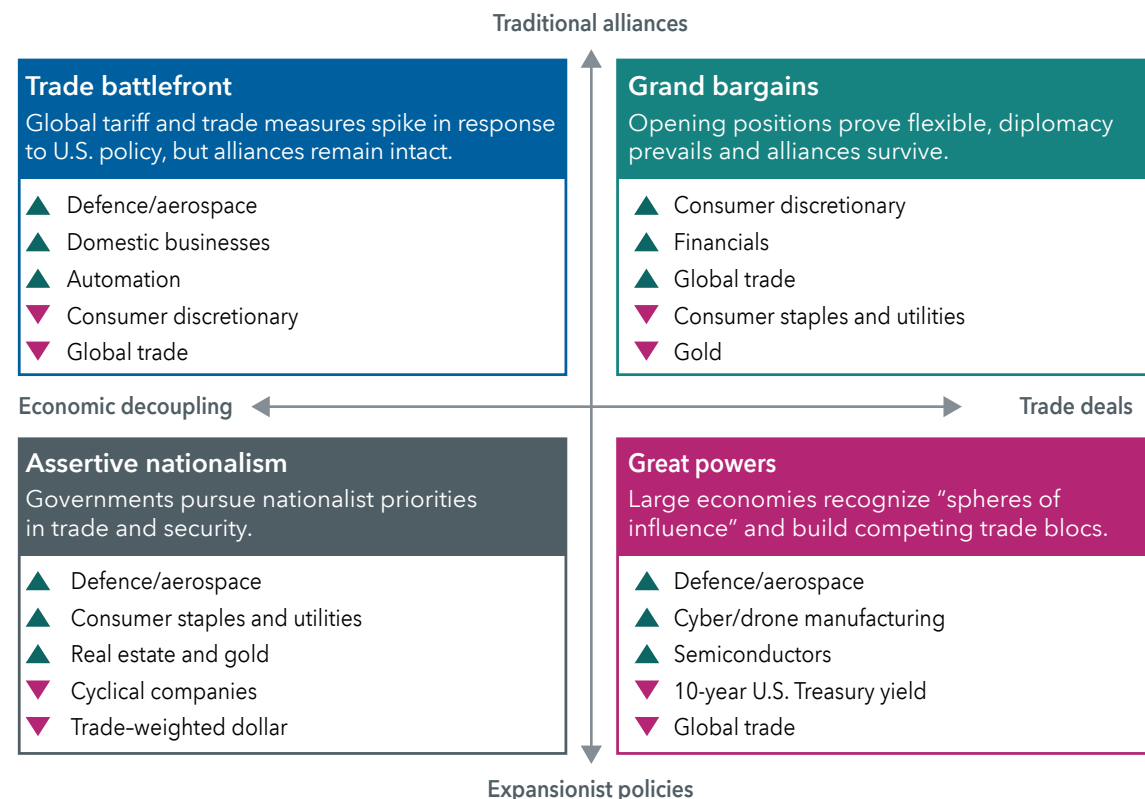
Capital Group's Night Watch team – a group of economists, political analysts and portfolio managers – explores these and other possibilities using scenario analysis. Rather than make predictions, they identify a range of outcomes, then connect them to investment implications.

Four potential outcomes have emerged: a trade battlefield, characterized by significant tariffs and other protectionist measures; grand bargains, the most benign scenario; the return of great powers; and assertive nationalism.

"Negotiations are under way, but given their complexity and the vast number of trading partners, I do not expect a speedy resolution," says international policy analyst Tom Cooney. "It took years to build the post-war order, and it could be several more before a new geopolitical order stabilizes."

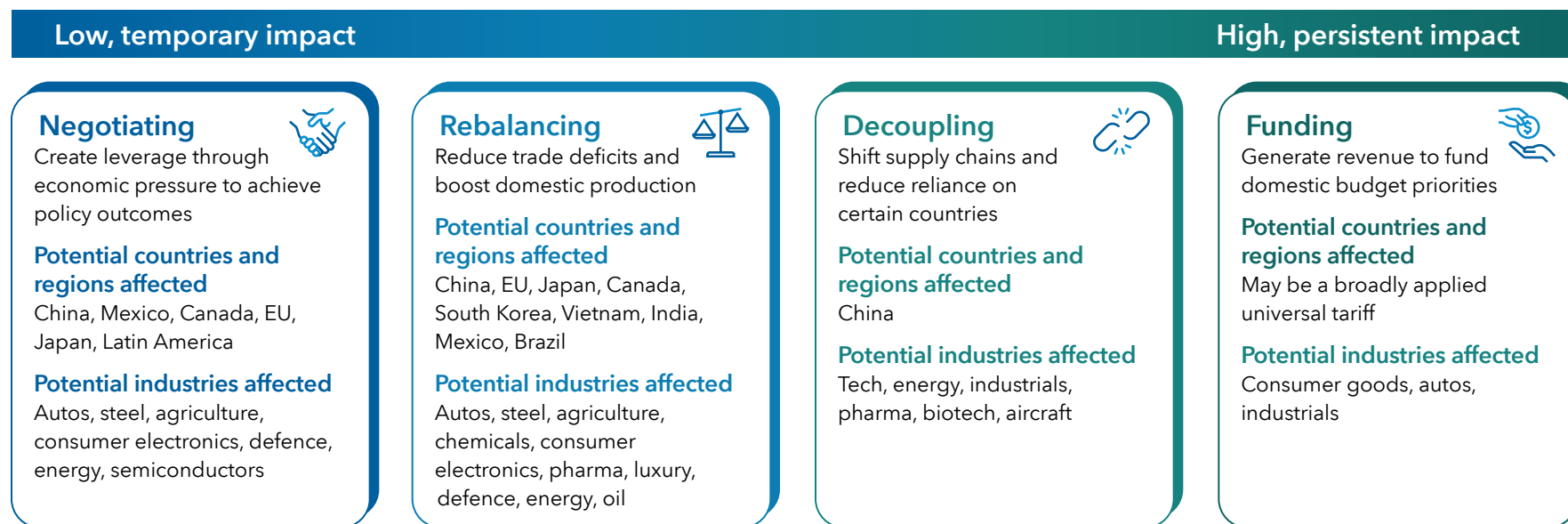
This scenario analysis can help portfolio managers position their holdings for different outcomes – whether that means shifting to more defensive investments or pivoting to new opportunities created by ongoing market volatility.

## Global realignment: A world in transition



Source: Capital Group. Scenarios reflect analysis of Capital Group's Night Watch team as of April 2025, and are not predictive of future outcomes.

# Decoding tariffs: Assessing the market and economic impacts



With tariffs taking centre stage in the global economy, it's important for investors to understand that not all trade barriers are created equal. With that in mind, our research indicates that tariffs generally are used for four purposes that may have differing impacts in the years ahead.

- 1. Negotiating:** President Trump has made it clear that some tariffs are meant to pressure other countries to assist with his policy goals, such as curbing illegal immigration and the cross-border flow of illicit drugs. These measures may be temporary.
- 2. Rebalancing:** Reciprocal tariffs are intended to restore balance with other trading partners, such as Europe, Japan and Mexico. The primary goal is to lower the U.S. trade deficit.

**3. Decoupling:** Part of the motivation for tariffs is to reduce dependence on single-source supply chains, such as China. This type of tariff is aimed at bringing some manufacturing back to the United States.

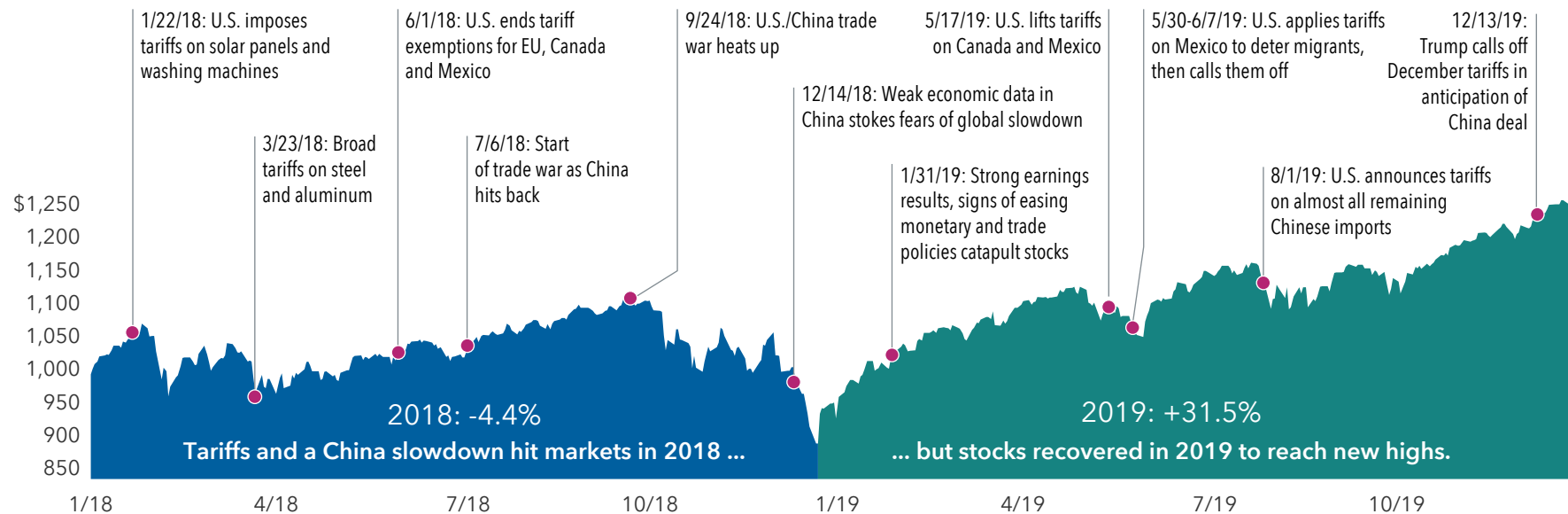
**4. Funding:** Some tariffs are designed as a way to raise revenue and potentially offset the impact of other policy objectives, including tax cuts.

"These motivations will have an important role in determining how the story plays out," says Capital Group economist Jared Franz. "Tariffs used for negotiating purposes are unlikely to persist, while those that are part of a larger decoupling process could be here to stay."

Source: Capital Group. As of March 5, 2025.

# Markets recovered from trade uncertainty in Trump's first term

## Value of a US\$1k hypothetical initial investment in the S&P 500 Index



Painful market disruptions triggered by tariffs aren't exactly new.

In 2018, during President Trump's first term in office, a series of new tariffs launched against China sparked a trade war that whipsawed markets and dominated headlines, much like today.

How did stocks react? Fears of a global economic slowdown and higher inflation sent the S&P 500 Index down 4.4% in 2018. But as trade deals were announced and consumer spending remained steady, the index recovered sharply in 2019, rising 31.5%.

The world has changed since that initial round of tariffs. The rapid development of artificial intelligence, war in Ukraine and the Middle East,

and the greatest inflation shock in decades are having profound implications for the economy. While we don't know what next year will bring, midterm elections could shift Trump's focus to more bread-and-butter issues that fuel economic optimism. Moreover, tariff deals with major trading partners could boost markets.

"Trump's first term shows the outcome can vary significantly from the initial headlines," says Martin Jacobs, a portfolio manager for Capital Group U.S. Equity Fund™ (Canada). "As someone who believes the market tends to go up far more than it goes down, I am not discouraged by this year's volatility. I view the dislocation as an opportunity to invest in great companies and multiyear investment trends where I have conviction, setting up the portfolios I manage for years to come."

Sources: Capital Group, U.S. Bureau of Labor Statistics, Peterson Institute for International Economics, Standard & Poor's. Value of hypothetical investment in the S&P 500 reflects the total return in USD of the index over the period from January 1, 2018, to December 31, 2019. The S&P 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks. Past results are not predictive of results in future periods.

# When will the Fed rush in?

Here's one pause borrowers could do without: the U.S. Federal Reserve's hold on interest rates. But until policymakers have economic data on the impacts of President Trump's trade policy, interest rates will likely remain range bound.

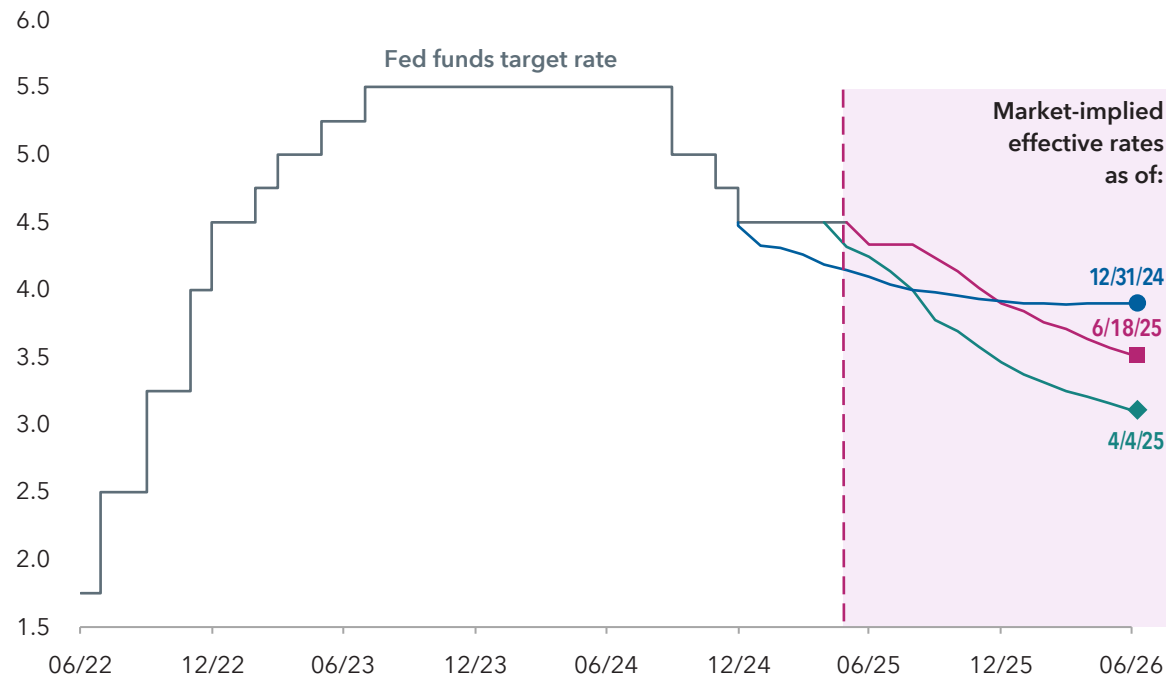
"As long as labour markets don't materially weaken, the Fed has good reason to remain patient with inflation remaining above target," says fixed income portfolio manager Chitrang Purani. "I believe a year-end policy rate of around 3.8% seems fair, given the balance of risks."

Even if tariffs are watered down through negotiations, the de-globalization shift and ongoing uncertainties are likely to weigh on economic growth in the near term, according to Purani. In addition to rate cuts, the Fed can step in to provide liquidity if bond market functioning is impaired, as they did in the early days of the COVID-19 pandemic.

"Meanwhile, policy-induced volatility, Moody's downgrade of the U.S. government credit rating and ongoing deficit concerns raise questions about the status of U.S. Treasuries as one of the world's safest investments. Investors may demand higher premiums to hold Treasuries," Purani explains.

## Investors have pulled back on rate cut expectations

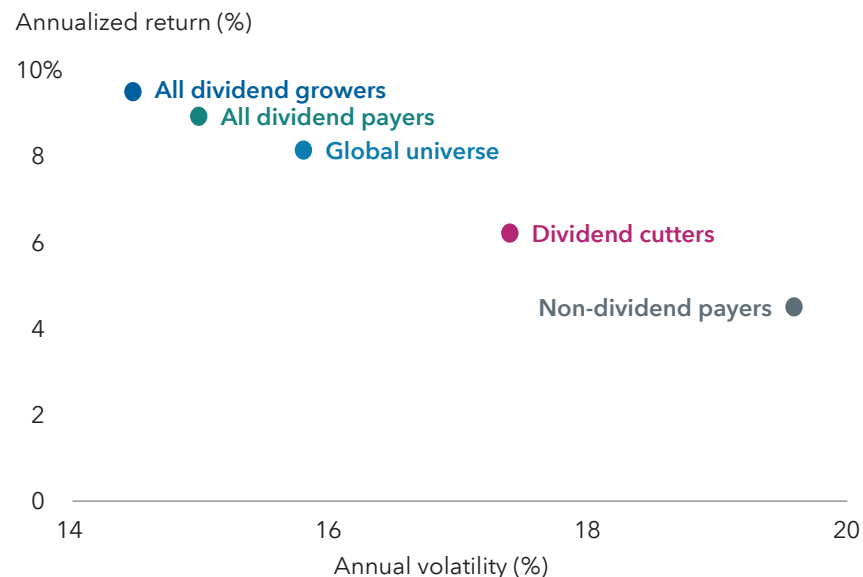
Federal funds rate actual vs. market implied (%)



Sources: Capital Group, Bloomberg Index Services Ltd., U.S. Federal Reserve. Fed funds target rate reflects the upper bound of the Federal Open Markets Committee's (FOMC) target range for overnight lending among U.S. banks. As of June 18, 2025.

# When volatility is high, dividends can cushion the blow

## Dividend growers have outpaced the broader market

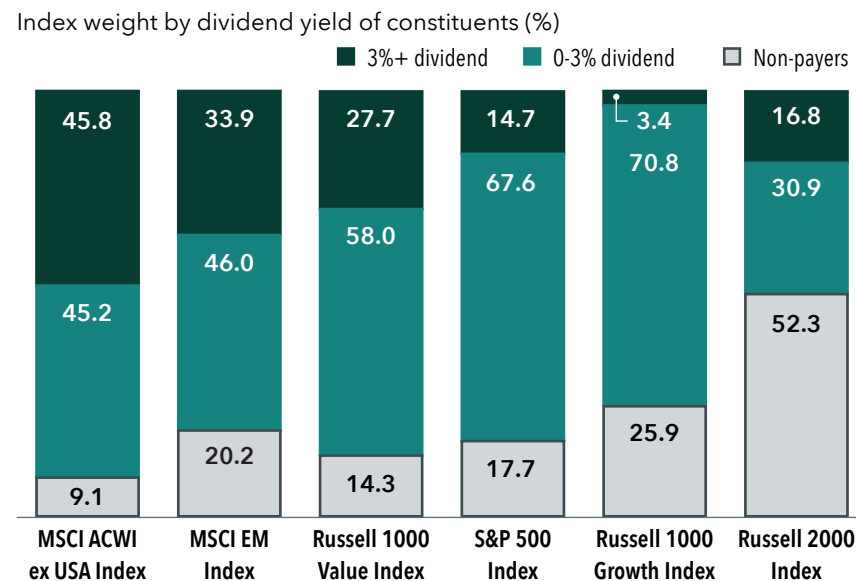


After years of being overshadowed by growth and tech stocks, dividend-paying stocks are back in the spotlight.

Dividend payers have historically provided a measure of stability during market declines but have also provided positive returns when markets have advanced. What's more, companies with a history of growing dividends have generated higher returns and lower volatility than both the broader equity market and the wider universe of dividend payers.

"With global trade evolving, we may be in for a bumpy road," says Steven Watson, a portfolio manager for Capital Group Capital Income Builder™ (Canada) and Capital Group Monthly Income Portfolio™ (Canada). "Consistent

## Non-U.S. markets offer more dividend opportunities



dividend growth signals a company's managers are disciplined at capital allocation and confident about future business prospects."

Dividend growers can be found among utilities, financials and telecom companies. For example, CenterPoint Energy in the U.S., which has forecast strong demand for energy in its markets, has increased its dividend steadily over the past five years. Dutch telecom company KPN, which has grown its dividend for a decade, is less susceptible to tariffs. Canadian insurer Intact Financial has increased its dividend every year since 2004.

With tariff negotiations likely to linger for months, dividend growers could provide portfolios with a measure of stability when markets become volatile.

Sources: (Left chart:) Capital Group, Compustat, MSCI, Worldscope. Data from December 31, 1989, through December 31, 2024. Returns are weighted averages of total returns in USD for a global universe of companies including the 1,000 largest in the S&P BMI Global Indices for North America (50%), Europe (25%), Japan (10%), and 500 largest in Emerging Markets (10%) and Pacific ex Japan (5%) from December 1989 to December 2004. MSCI IMI regional indices used thereafter with same company counts and weights; universe is rebalanced quarterly. Dividend payers and non-payers are defined by prior quarter dividend payouts; growers are those with trailing 12-month dividends per share growth on an annual basis. Volatility equals the annualized standard deviation of monthly total returns. Past results are not predictive of results in future periods. (Right chart:) Capital Group, FactSet, MSCI. As of May 31, 2025.



# Sharp market selloffs can put leading companies on sale

## During pandemic, many industries felt uninvestable but bounced back strongly

Industry	Pre-COVID peak	COVID trough	Decline (peak to trough)	One year from bottom	Five years from bottom	Company examples
Energy equipment and services	1/6/20	3/18/20	-68.9%	144.7%	291.3%	Schlumberger, Baker Hughes, Halliburton
Consumer finance	1/22/20	3/23/20	-54.9%	145.6%	295.8%	Discover, Capital One, American Express
Aerospace and defence	2/12/20	3/23/20	-51.4%	68.2%	225.6%	Boeing, Safran, GE Aerospace, Airbus
Hotels, restaurants and leisure	1/17/20	3/18/20	-46.8%	101.3%	149.1%	Royal Caribbean, Carnival, MGM Resorts, Darden Restaurants
Automobiles	2/4/20	3/23/20	-38.9%	200.2%	218.5%	Tesla, Ford, Mercedes-Benz
MSCI All Country World Index	2/12/20	3/23/20	-33.7%	77.0%	137.7%	

Markets tend to overreact to near-term volatility and punish strong companies along with the weak – throwing out the proverbial baby with the bathwater. This dynamic can present long-term opportunity for patient investors.

During the pandemic-induced bear market in 2020, for example, stocks across a range of industries suffered double-digit losses. “With travel and leisure activities halted, cruise lines like Royal Caribbean were priced as if no one would ever book passage again,” recalls Chris Buchbinder, a portfolio manager for Capital Group U.S. Equity Fund™ (Canada). “This turned out to be an excellent investment opportunity for those who recognized that global travel would one day bounce back,” he says.

After plummeting more than 83% in the depths of COVID-19, Royal Caribbean rebounded strongly, advancing more than 1,000% in the five years since.

Such powerful turnarounds don't come along every day of course. “When markets were whipsawed by tariff news in the first half of the year, it provided an opportunity to invest in health care companies developing GLP-1 weight loss therapies,” Buchbinder adds.

Semiconductor companies are another area of opportunity, given the long runway of potential growth for AI infrastructure. “The key when great companies go on sale is you have to be prepared to weather some anxiety near term.” Not all companies will have such powerful recoveries, which is why fundamental research is essential.

Sources: Capital Group, MSCI. Industries shown represent GICS industries within the MSCI All Country World Index. Company examples are among the largest companies within each respective industry. As of May 31, 2025. Energy equipment and services is represented by the MSCI ACWI Energy Equipment and Services Index; Consumer finance is represented by the MSCI ACWI Consumer Finance Index; Aerospace is represented by the MSCI ACWI Aerospace and Defense Index; Hotels, restaurants and leisure is represented by the MSCI ACWI Hotels, Restaurants and Leisure Index; Automobiles is represented by the MSCI ACWI Automobiles Index. Past results are not predictive of results in future periods. Returns are in USD.

# Security takes centre stage in a world in transition

As the U.S. and other nations reconsider trade relationships and geopolitical alliances, governments around the world are taking steps to prioritize security, which could boost business for a range of companies, large and small.

Security starts with national defence. “There has been a recognition in Europe, Japan and elsewhere that they must become more self-sufficient in terms of their own defence,” says Samir Parekh, a portfolio manager for Capital Group International Equity Fund™ (Canada) and Capital Group International Equity Select ETF™ (Canada). In the first quarter of 2025, Germany disclosed plans for aggressive fiscal stimulus focused primarily on defence and infrastructure spending. In December 2024, Japan’s cabinet approved a 9.4% increase in its defence budget.

“The push for security extends beyond defence to the need for reliable energy sources and stable infrastructure and supply chains,” Parekh adds.

The U.S. and Europe are both seeking to expand sources of traditional energy, as well as pursuing development of nuclear power and other alternatives. And the focus on supply chain and infrastructure security could represent growth opportunities for industrials. For example, global giants like Mitsubishi Heavy Industries in Japan, Siemens Energy in Germany and GE Vernova in the U.S. offer products across these categories, including power generation, grid modernization, defence systems and cybersecurity.

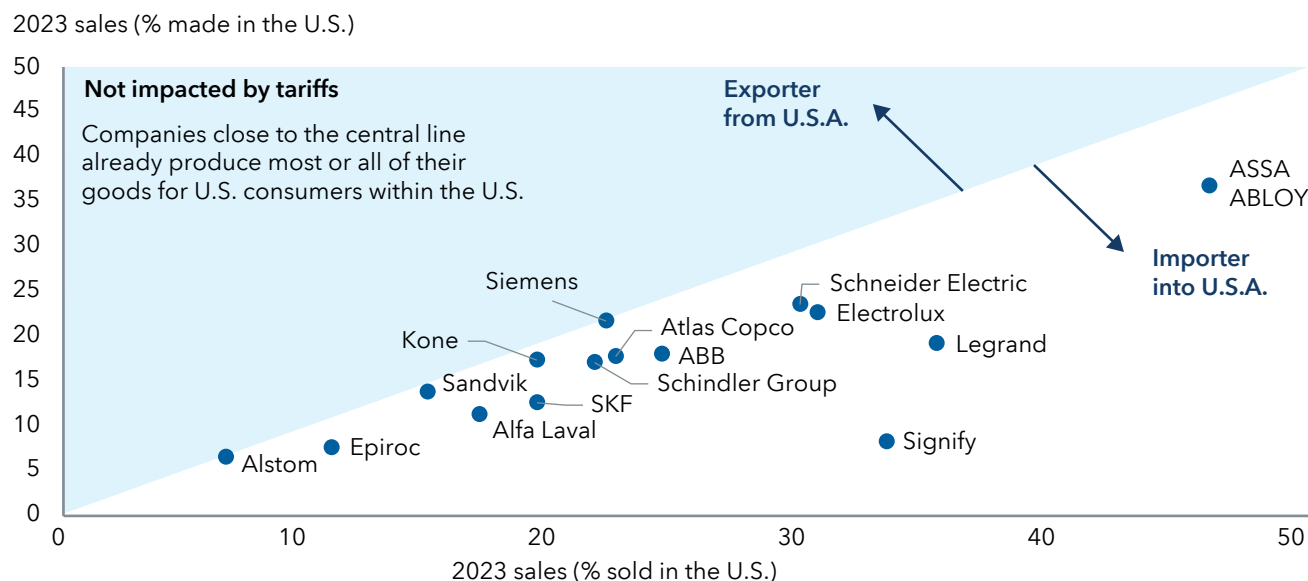
## Push for security opens opportunity across four dimensions

National security	Energy security	Supply chain security	Tech security
RTX	TotalEnergies	Linde	Apple
Safran	GE Vernova	Schneider Electric	Motorola Solutions
Lockheed Martin	Iberdrola	Mitsubishi Heavy Industries	Axon Enterprises

Sources: Capital Group, FactSet. Companies shown are among the largest constituents of their respective sub-industries within the MSCI All Country World Index and are meant to serve as examples of potential beneficiaries from investment across the various security applications listed. The MSCI All Country World Index (ACWI) captures large- and mid-cap representation across developed markets and emerging markets countries. As of May 20, 2025.

# Multinationals go multi-local as globalization changes course

## Many multinationals have already shifted some production to the U.S.



Rising tariffs and brewing trade wars sound like a daunting environment for multinational companies. They would seem to be the most heavily impacted by the current headwinds affecting global trade. However, the reality is, many multinationals are well positioned for it – simply because they’ve navigated choppy trade waters for years.

“Many multinationals are developing a ‘multi-local’ approach to business, moving closer to customers in the countries where they operate,” says equity portfolio manager Jody Jonsson. “They are finding ways to adapt and succeed regardless of the environment.”

In the latest example, German industrials giant Siemens opened a US\$190 million electrical equipment manufacturing plant this year in Fort Worth, Texas.

U.S. companies known for building their products overseas are taking the same approach. Apple recently announced it would spend US\$500 billion on new U.S.-based manufacturing facilities over the next four years.

That’s one way to get around U.S. tariffs.

“You would think domestically oriented companies are ideally positioned in this kind of trade environment,” Jonsson adds. “And some of them are. But we’ve also seen that globally diversified, multinational companies have the flexibility, resources and management expertise to compete very effectively, even when the ground is shifting beneath their feet.”

Sources: Capital Group, Redburn. Data based on internal company estimates as of 2023 sales. As of December 31, 2023.

# Europe: New catalysts and surprising innovation

## Global Innovation Index 2024 rankings

Rank	Economy	Score
1	Switzerland	67.5
2	Sweden	64.5
3	United States	62.4
4	Singapore	61.2
5	United Kingdom	61.0
6	Republic of Korea	60.9
7	Finland	59.4
8	Netherlands	58.8
9	Germany	58.1
10	Denmark	57.1

### Sweden

Spotify  
Atlas Copco

### Denmark

Novo Nordisk  
DSV

### United Kingdom

AstraZeneca  
Shell

### Netherlands

ASML  
Prosus

### Finland

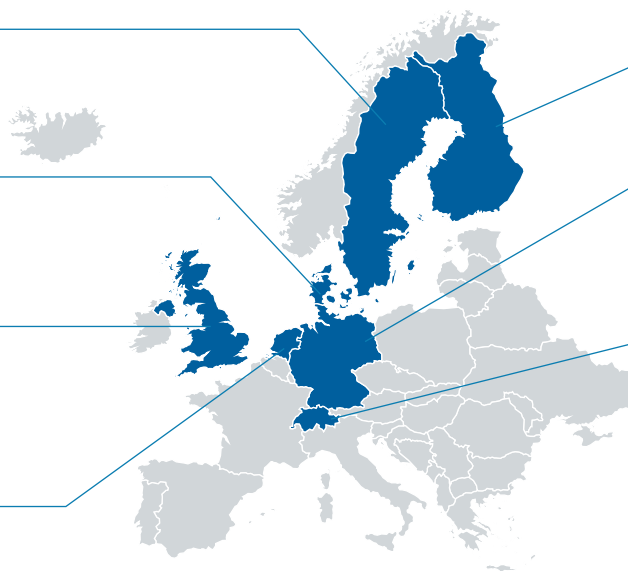
Nokia  
Nordea Bank

### Germany

SAP  
Siemens

### Switzerland

Nestlé  
Roche



Has Europe reached a turning point? With geopolitics in the spotlight, European governments have taken bold steps to strengthen their collective security and economic capacity in response to a potential global realignment.

Germany relaxed its fiscal rules, unveiling a €1 trillion stimulus package. The increase in government spending could trigger a stronger industrial cycle over the next three years, with a potential boost for defence, building materials and infrastructure companies – industries more heavily represented in European indices than the S&P 500 Index.

However, Europe is not solely reliant on old economy industries. In fact, the latest global rankings show that seven of the top 10 countries for innovation are European.

European pharmaceutical companies have long been associated with groundbreaking treatments. Novo Nordisk was the first to launch GLP-1 treatments for diabetes and weight loss, while U.K.-based AstraZeneca has a pioneering oncology franchise. France's EssilorLuxottica, owner of Ray-Ban and other eyewear brands, is developing its own smart glasses.

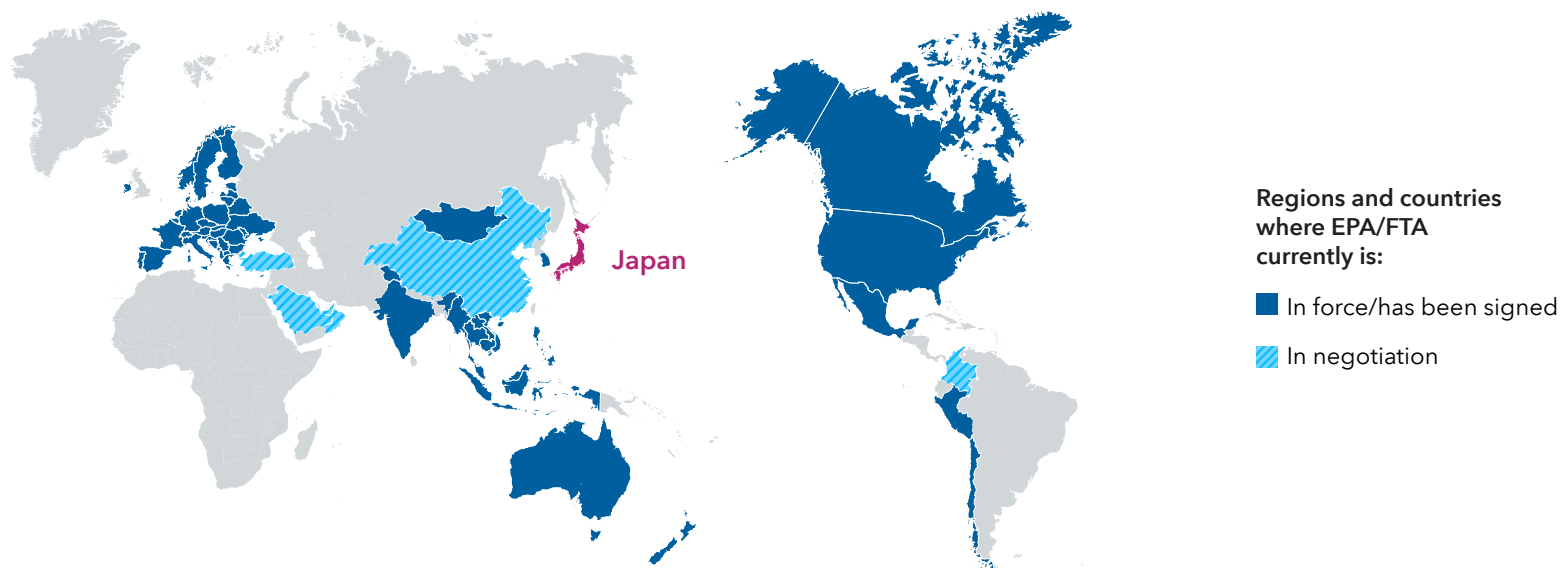
"EssilorLuxottica recently launched Nuance Audio, a line of smart glasses that seamlessly integrate advanced hearing aid technology into stylish eyewear," notes equity portfolio manager Lara Pellini.

It may take until 2026 for growth to meaningfully pick up in Europe, given uncertainty around tariffs. But a regulatory environment that is more pro-investment could mark a decisive break with the past.

Sources: United Nations World Intellectual Property Organization, MSCI. Companies listed are the two largest by weighting per country within the MSCI Europe Index. The Global Innovation Index 2024 takes the pulse of innovation against a background of steady but slow global economic growth, shrinking innovation finance and sluggish productivity. It reveals the most innovative economies in the world, ranking the innovation performance of around 130 economies while highlighting innovation strengths and weaknesses. The MSCI Europe Index captures large- and mid-cap representation across developed market countries in Europe. As of April 30, 2025.

# Japan forges path as free trade powerhouse

## Japan well positioned as trade skirmishes continue



As the U.S. steps back from unfettered free trade, Japan is well positioned to emerge as a global leader.

The country's average tariff rate was among the world's lowest entering 2025, highlighting the potential for productive negotiations amid escalating trade war fears.

Over recent years, Japan has signed multiple economic partnership and free trade agreements, with blocs including the European Union as well as Asia-Pacific nations. Japan also struck trade and digital agreements with the U.S. during President Trump's first term, and the two countries collaborate in areas such as 5G technology, space exploration and medical research.

What's more, leading Japanese companies are building manufacturing facilities in the U.S., supporting one of the key goals of the Trump administration. For example, air conditioning and refrigeration manufacturer Daikin opened a plant in Houston. "Japanese companies have announced about US\$1trillion of investment in the U.S., and I expect more in the coming months," says Japan economist Anne Vandenabeele.

That's not to say there are no risks. Japan remains a prominent exporter, with 20% of its goods going to the U.S., of which 30% are automobiles." The longer higher tariffs last, the greater the risk they could derail the ongoing reflation of Japan's economy," adds Vandenabeele.

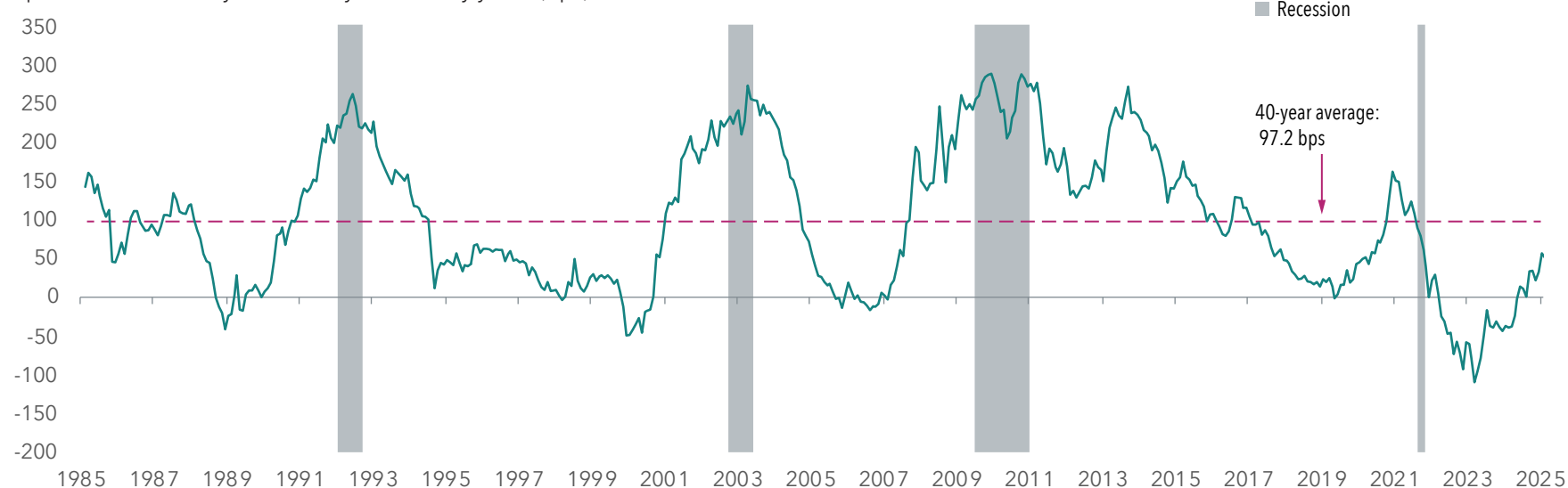
Sources: Bloomberg, Japanese Ministry of Finance, The Guardian, trade statistics. EPA: Economic Partnership Agreement. FTA: Free Trade Agreement. As of January 2025.



# Opportunities within Treasuries as economic concerns mount

## U.S. Treasury yield curve has begun to normalize

Spread between two-year and 10-year Treasury yields (bps)



Amid the stock market swoon in April, tremors in the bond market influenced President Trump to pause tariffs. Other than that brief disruption, U.S. Treasury markets have been orderly, with interest rates rising.

Yields on the 10-year Treasury, arguably the most important interest rate in the world, reached 4.47% as of May 13, 2025. The upward march came even as yields on shorter dated Treasuries declined, steepening the yield curve.

"Investors are balancing concerns of higher inflation and a potential downturn, both stemming from a tariff policy that continues to evolve," says Tim Ng, a portfolio manager for Capital Group Canadian Core Plus Fixed Income Fund™ (Canada). Expectations of a persistent U.S. federal budget

deficit amid potential tax cuts and other spending plans also play a role in keeping long-term yields high.

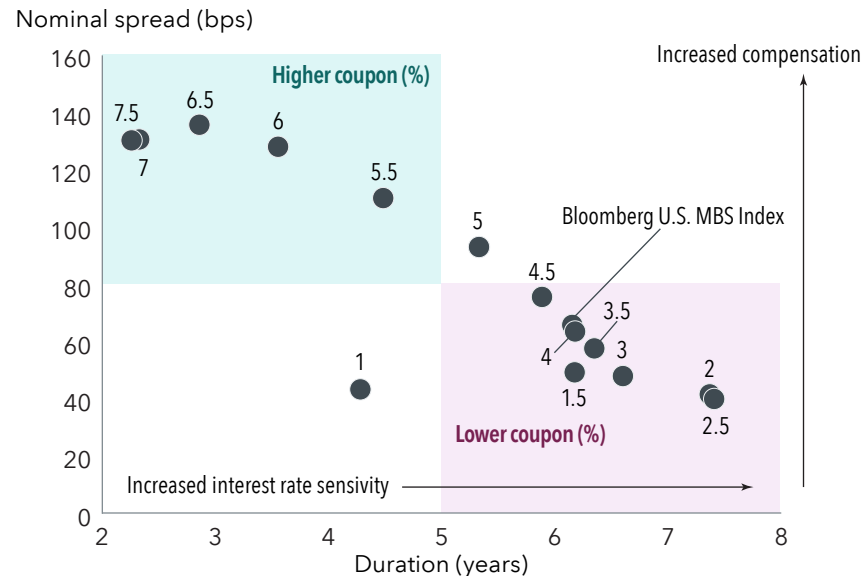
"There's room for the curve to further steepen in several scenarios," explains Ng, who is maintaining flexibility considering recent market swings. "While the worst of trade policy uncertainty may be behind us, I want to be positioned to take advantage of any major shifts in valuations."

A diversified portfolio of bonds has provided relative stability during the policy-induced stock market volatility.\* The return of this time-honoured relationship, which disappeared in 2022 during the Fed's rate-hiking spree, is crucial as Trump's policy initiatives raise the risk of a recession.

Sources: Bloomberg, Refinitiv Datastream. The Bloomberg U.S. Aggregate Bond Index represents the U.S. investment-grade fixed-rate bond market. As of May 31, 2025. \*When the S&P 500 Index fell 18.7% from the record high set on February 19, 2025, to the recent low on April 8, 2025, the Bloomberg U.S. Aggregate Bond Index gained 1%.

# Securitized assets offer strong opportunity for security selection

## Compelling valuations in high-coupon MBS

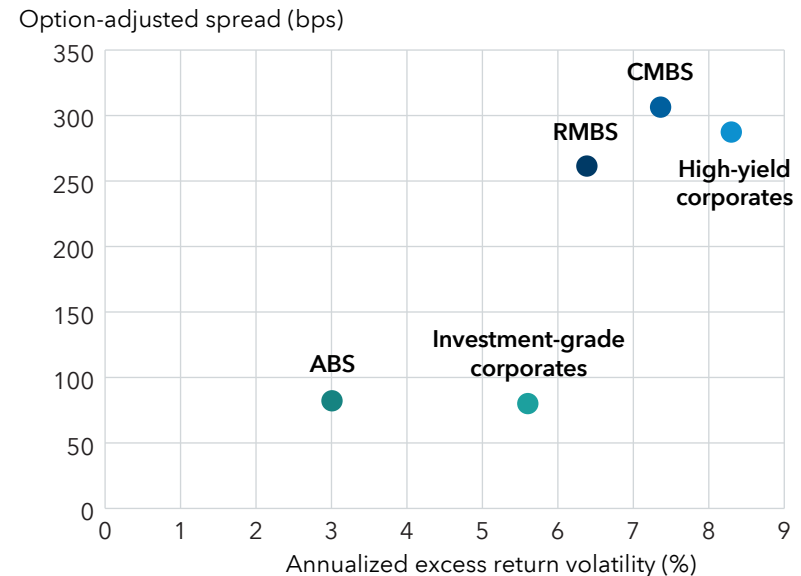


Securitized assets, including agency mortgage-backed securities (MBS), could benefit portfolios given their higher quality and attractive nominal yields and spreads compared to corporate credit. The appeal of agency MBS is further bolstered by the sector's liquidity and relative resilience in past downturns.

Active coupon selection is an important factor in mortgage portfolios. Higher coupons offer compelling income opportunities with low sensitivity to rates even if interest rates and volatility remain elevated. In contrast, low coupons, which are more prevalent in the Bloomberg U.S. Mortgage-Backed Securities Index, have higher interest rate sensitivity and lower nominal spreads and yields.

Source: Bloomberg U.S. Mortgage-Backed Securities Index. Coupon: Annual interest rate paid on a bond, based on the bond's face value. Duration: A measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Nominal spread: the difference between the yield of a bond and the yield of a similar maturity Treasury bond. Nominal spread represents the zero-volatility spread. As of May 31, 2025.

## Securitized assets rival corporate bonds



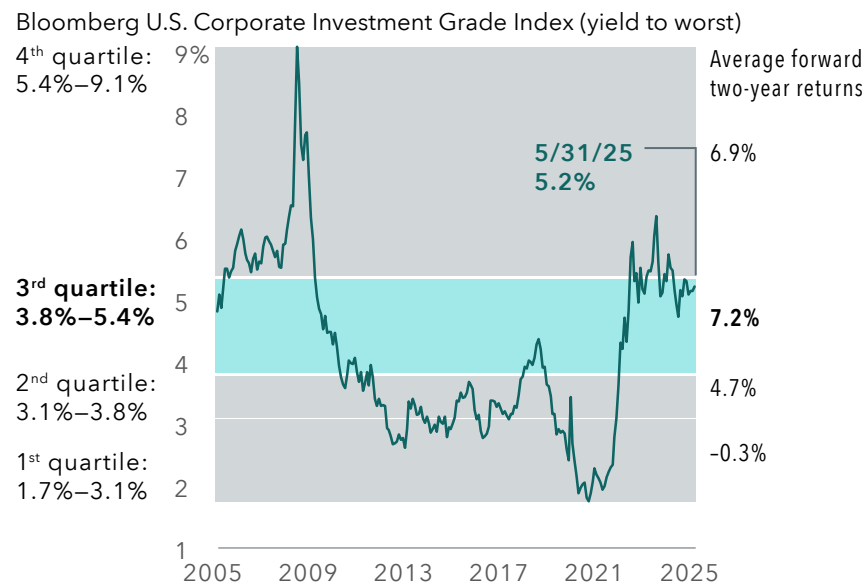
Many areas of securitized credit also look appealing, such as the senior tranches of subprime auto asset-backed securities (ABS). "The underlying loans have shorter maturities compared to mortgages, and lending standards have tightened over the past few years," says Xavier Goss, a portfolio manager for Capital Group Multi-Sector Income Fund™ (Canada) and Capital Group Multi-Sector Income Select ETF™ (Canada).

Some commercial mortgage-backed securities (CMBS), particularly higher segments of the capital structure, also offer strong income with reasonable valuations. While some office properties still face challenges in the post-COVID era, multifamily housing, warehouses and other segments of the market have solid balance sheets, steady cash flows and strong demand.

Sources: Capital Group, Bloomberg. Bloomberg U.S. Corporate Investment Grade Index, Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, Bloomberg Non-Agency Residential Mortgage-Backed Securities Index, Bloomberg ABS Index and Bloomberg CMBS Index. Option-adjusted spread is a yield-spread calculation used to value securities with embedded options. Values based on returns and volatility data between January 1, 2018, and December 31, 2024.

# Corporate bonds show continued resilience

## Corporate investment-grade bonds remain attractive

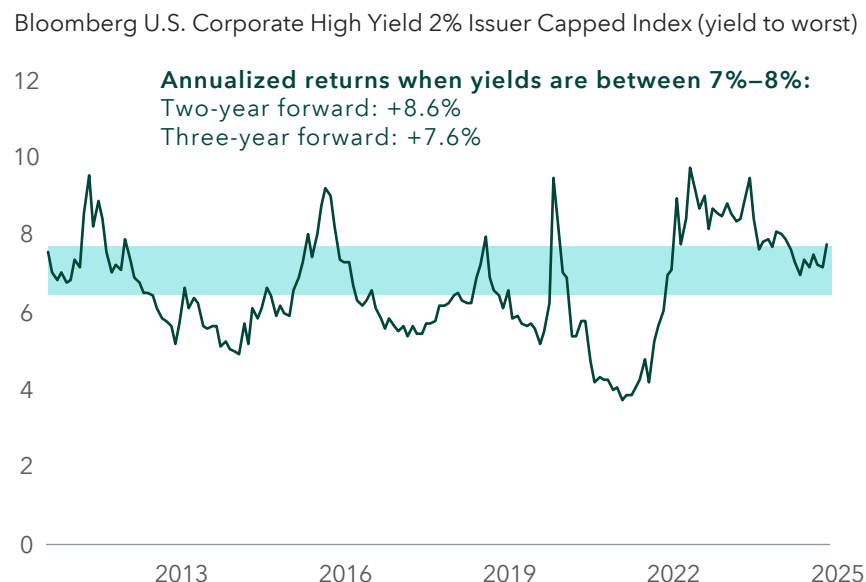


Healthy corporate fundamentals and attractive yields should help corporate investment-grade (BBB/Baa and above) and high-yield bonds withstand potential headwinds to growth.

"Corporate earnings are reasonable, though rising costs and weaker consumer sentiment muddy the general economic outlook," says fixed income portfolio manager Tom Chow. "In periods of declining growth expectations, established entities with strong credit metrics, low refinancing risk and sizable equity cushions are better positioned to weather the storm," Chow explains.

Companies with non-cyclical businesses are improving their balance sheets. For example, certain investment-grade-rated pharmaceuticals, such as Amgen, are reducing debt following recent acquisitions. In high yield, telecom company

## High-yield bonds posted strong returns at current yields



Charter Communications has recurring revenue streams, which may be less affected by the economic cycle.

Today's starting yields for higher income sectors such as investment-grade, high-yield and emerging markets debt offer attractive entry points for long-term investors. Even if spreads to U.S. Treasuries widen to impact price, the income component should help support positive returns. Moreover, rate cuts we expect from the Federal Reserve later this year are tailwinds for bond returns, particularly for those with longer maturities.

We expect corporate defaults to remain low relative to the historical average of roughly 3%. "Many high-yield companies refinanced debt ahead of tariff-induced volatility, so a 'maturity wall' is not a major, imminent concern," Chow adds.

Sources: Capital Group, Bloomberg Index Services Ltd. Data as of May 31, 2025. Average forward two-year returns are annualized, based on each quartile of starting yield to worst. Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. Returns are in USD.

Source: Bloomberg Index Services Ltd. As of May 31, 2025. Average forward two-year and three-year returns are annualized. Returns are in USD. Past results are not predictive of results in future periods.

# Investment professional biographies

**Christopher Buchbinder** is a portfolio manager for Capital Group U.S. Equity Fund™ (Canada). He has 29 years of investment industry experience, all with Capital Group. Earlier in his career at Capital, as an equity investment analyst, he covered U.S. telecommunication services, autos and auto parts & equipment companies. He began his career as a participant in The Associates Program, a two-year series of work assignments in various areas of the Capital organization. He holds a bachelor's degree in economics and international relations from Brown University graduating cum laude. Chris is based in San Francisco.

**Tom Chow** is a fixed income portfolio manager at Capital Group. He has 36 years of investment industry experience and has been with Capital Group for 10 years. Prior to joining Capital, Tom was the chief investment officer of corporate credit and senior vice president at Delaware Investment Advisers. Before that he was a high-yield and high-grade trader at SunAmerica/AIG, and a portfolio manager, trader and senior securities analyst at Conseco Capital Management. He holds a bachelor's degree in business analysis with a minor in economics from Indiana University. He also holds the Chartered Financial Analyst® and Fellow of Life Management™ designations. Tom is based in Los Angeles.

**Tom Cooney** is the international policy advisor at Capital Group. He has 31 years of foreign affairs experience and has been with Capital Group for two years. Prior to joining Capital, Tom worked as vice president of global public policy at General Motors. Before that, he was a minister counselor with the Senior Foreign Service of the U.S. State Department. Tom served as a U.S. diplomat for 25 years with multiple embassy assignments in China and South America, including serving as the interim U.S. Ambassador to Argentina (Chargé d'Affaires). He holds a master's degree in international business studies from the University of South Carolina and a bachelor's degree in communications from Cornell University. Tom is based in Los Angeles.

**Jared Franz** is an economist at Capital Group, responsible for covering the United States. He has 19 years of investment industry experience and has been with Capital Group for 10 years. Prior to joining Capital, Jared was head of international macroeconomic research at Hartford Investment Management Company. Before that, he was an international and U.S. economist at T. Rowe Price. He holds a PhD in economics from the University of Illinois at Chicago, a bachelor's degree in mathematics from Northwestern University and attended the U.S. Naval Academy. He is also a member of the Forecasters Club of New York, an elected member of the Conference of Business Economists and a member of the Pacific Council. Jared is based in Los Angeles.

**Xavier Goss** is a portfolio manager for Capital Group Multi-Sector Income Fund™ (Canada) and Capital Group Multi-Sector Income Select ETF™ (Canada). He has 21 years of investment industry experience and has been with Capital Group for four years. Prior to joining Capital, Xavier was a portfolio manager in the structured credit group at BlackRock. He holds a bachelor's degree in economics from Harvard University. He also holds the Chartered Financial Analyst® designation. Xavier is based in Los Angeles.

**Martin Jacobs** is a portfolio manager for Capital Group U.S. Equity Fund™ (Canada). He has 37 years of investment industry experience and has been with Capital Group for 24 years. Earlier in his career at Capital, as an equity investment analyst, he covered U.S. industrials, machinery and electrical equipment companies. Before joining Capital, Martin was an executive director and senior investment analyst at Brinson Partners, Inc. in Chicago and an industry analyst at Security Pacific Merchant Bank in New York. He was also a research analyst at the Wharton Center for Applied Research, Inc. Martin holds an MBA in finance from the Wharton School of the University of Pennsylvania and a bachelor's degree in industrial and systems engineering from the University of Southern California. He also holds the Chartered Financial Analyst® designation and is a member of the CFA Institute. Martin is based in Los Angeles.

**Jody Jonsson** is vice chair of Capital Group and president of Capital Research and Management Company. She also serves on the Capital Group Management Committee, chairs the Investment Group Oversight and is an equity portfolio manager. She has 38 years of investment industry experience and has been with Capital Group for 34 years. Earlier in her career, as an equity investment analyst at Capital, Jody covered insurance, U.S. household & personal care, restaurants & lodging and cruise lines companies. Before joining Capital, she was an equity research analyst at Fidelity Management & Research Company in Boston and an officer in the public finance division of Irving Trust Company in New York. Jody holds an MBA from Stanford Graduate School of Business, where she was an Arjay Miller Scholar, and a bachelor's degree in economics from Princeton University graduating cum laude. Jody is based in Los Angeles.

**Timothy Ng** is a portfolio manager for Capital Group Canadian Core Plus Fixed Income Fund™ (Canada). As a fixed income investment analyst, he covers U.S. Treasuries, TIPS and interest rate swaps. He has 18 years of investment industry experience and has been with Capital Group for 11 years. Prior to joining Capital, Tim was an analyst for a global macro hedge fund at WCG Management L.P., a director in U.S. dollar rates trading at UBS Investment Bank and an assistant vice president in fixed income trading at Barclays Capital. He holds a bachelor's degree with honours in computer science from the University of Waterloo, Ontario. Tim is based in Los Angeles.

**Samir Parekh** is a portfolio manager for Capital Group International Equity Fund™ (Canada) and Capital Group International Equity Select ETF™ (Canada). He has 24 years of investment industry experience and has been with Capital Group for 18 years. Earlier in his career, he covered European small-cap companies, ex-U.S. exchanges and India as a generalist. Prior to joining Capital, Samir was a research analyst for both Bernstein Investment Research and Management and Insight Asset Management (India) Limited, and a management consultant for McKinsey & Company. He holds a post-graduate diploma in business administration from the Indian Institute of Management, Ahmedabad, and a bachelor's degree in commerce from Sydenham College, Bombay University. He also holds the Chartered Financial Analyst® designation. Samir is based in London.

**Lara Pellini** is an equity portfolio manager at Capital Group. She has 23 years of investment industry experience, all with Capital Group. Earlier in her career at Capital she was an equity investment analyst, covering European, Eurasian and Latin American retail and luxury goods. Lara began her career at Capital as a participant in The Associates Program, a two-year series of work assignments in various areas of the organization. Prior to joining Capital, she was a research fellow for the International Labor Organisation in Geneva, and a research assistant to the economics chair of the IULM University in Milan. She holds a master's degree in economics of labour and industrial relations from the London School of Economics and a laurea in public relations and economics of information from the IULM University, Milan. Lara is based in London.

**Chit Purani** is a fixed income portfolio manager at Capital Group. He has 21 years of investment industry experience and has been with Capital Group for three years. Prior to joining Capital, Chit worked as a fixed income portfolio manager at PIMCO focused on a broad array of multi-sector fixed income strategies. Before that, he was a fixed income trader and analyst at PNC Capital Advisors. He holds an MBA from the University of Chicago Booth School of Business and a bachelor's degree in finance from Northern Illinois University. He also holds the Chartered Financial Analyst® designation. Chit is based in New York.

**Darrell R. Spence** is an economist at Capital Group. He has 32 years of investment industry experience, all with Capital Group. He holds a bachelor's degree with honours in economics from Occidental College graduating cum laude, and is a member of Phi Beta Kappa and Omicron Delta Epsilon. He also holds the Chartered Financial Analyst® designation and is a member of the National Association for Business Economics. Darrell is based in Los Angeles.

**Anne Vandenabeele** is an economist at Capital Group, covering the U.S. and Japan. She has 24 years of investment industry experience, all with Capital Group. Anne began her career at Capital as a participant in The Associates Program, a two-year series of work assignments in various areas of the organization. She holds a master's degree with honours in economics from the University of Edinburgh and a master of philosophy in economics from the University of Oxford. She is also a member of the National Association for Business Economics. Anne is based in Washington, D.C.

**Steve Watson** is a portfolio manager for Capital Group Capital Income Builder™ (Canada) and Capital Group Monthly Income Portfolio™ (Canada). He has 37 years of investment industry experience and has been with Capital Group for 35 years. Earlier in his career, as an equity investment analyst at Capital, he covered Asian property and transportation, as well as European transportation and utilities companies. Before joining Capital, Steven was a buy-side research analyst for Sanford C. Bernstein & Co. in New York. He holds an MBA in finance from New York University Graduate School of Business Administration, a master's degree in French studies from New York University Institute of French Studies and a bachelor's degree in French from the University of Massachusetts graduating cum laude. He also studied Mandarin Chinese at Wuhan University and the Shanghai Foreign Language Institute in China. Steven is based in Hong Kong.

**Commissions, trailing commissions, management fees and expenses all may be associated with investments in investment funds. Please read the prospectus before investing. Investment funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. For investment funds other than money market funds, their values change frequently. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated.**

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

Market indices are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

**Bloomberg U.S. Aggregate Bond Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment-grade, publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specific maturity, liquidity and quality requirements. **Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index** covers the universe of fixed-rate, non-investment grade debt. The index limits the maximum exposure of any one issuer to 2%. **Bloomberg U.S. Mortgage Backed Securities Index** is a market value-weighted index that covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). **Bloomberg U.S. Economic Policy Uncertainty Index** measures the level of uncertainty surrounding economic policy decisions in the United States and is calculated by counting the number of articles in newspapers that discuss economic policy uncertainty. **Bloomberg U.S. ABS (Asset-Backed Securities) Index** is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg U.S. CMBS (Corporate Mortgage-Backed Securities) Investment Grade Index** measures the market of U.S. agency and U.S. non-agency conduit and fusion CMBS deals with a minimum current deal size of US\$300mn. **Bloomberg Non-Agency RMBS (Residential Mortgage-Backed Securities) Index** measures the market of mortgage-backed securities created by private entities that do not carry a government guarantee. Non-agency RMBS are divided into tranches of differing credit quality.

**MSCI All Country World ex USA Index** is a free float-adjusted market capitalization-weighted index designed to measure equity market results in the global developed and emerging markets, excluding the United States. The index consists of more than 40 developed and emerging market country indices. **MSCI Emerging Markets Index** captures large- and mid-cap representation across 27 emerging markets (EM) countries.

**Russell 1000 Growth Index** measures the results of the large-cap growth segment of the U.S. equity universe. **Russell 1000 Value Index** measures the performance of large-cap value segment of the U.S. equity universe. **Russell 2000 Index** measures the performance of 2,000 small-cap stocks.

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Neither Bloomberg nor Bloomberg's licensors approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

© 2025 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

The S&P 500 Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Capital Group. Copyright © 2025 S&P Dow Jones Indices LLC, a division of S&P Global, and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part is prohibited without written permission of S&P Dow Jones Indices LLC.

Unless otherwise indicated, the investment professionals featured do not manage Capital Group's Canadian investment funds.

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. This information is intended to highlight issues and should not be considered advice, an endorsement or a recommendation.

Views expressed regarding a particular company, security, industry or market sector should not be considered an endorsement or an indication of trading intent of any investment funds. These views should not be considered as investment advice or as a recommendation to buy or sell.

For informational purposes only; not intended to provide tax, legal or financial advice. Capital Group funds are available in Canada through registered dealers. For more information, please consult your financial and tax advisors for your individual situation.

The Capital Group ETFs listed on page 20 are prospectus qualified in Canada and are not registered with the United States Securities and Exchange Commission and are not intended for distribution in the United States.

All Capital Group trademarks are owned by The Capital Group Companies, Inc. or an affiliated company in Canada, the U.S. and other countries. All other company names mentioned are the property of their respective companies.

Capital Group funds are offered in Canada by Capital International Asset Management (Canada), Inc., part of Capital Group, a global investment management firm originating in Los Angeles, California in 1931. Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.



## Themes, implications and investments

Themes	Selective growth and dividend opportunities	International equity opportunities	Core bond opportunities	Credit opportunities
	World in transition opens opportunity for companies and investors	New catalysts for growth emerge in Europe	Bonds can provide stability when stocks decline	Bond income is back
Investment implications	Amid a shifting global landscape, governments prioritize security and multinational companies go multi-local. During bouts of volatility, dividends can cushion the blow.	Higher government spending in Europe may trigger a stronger industrial cycle, as global innovators pursue new growth opportunities.	Bonds typically offer strong income opportunities and a measure of protection from equity market swings.	Steady income potential is possible as yields stabilize at elevated levels.
Mutual funds	<b>Capital Group U.S. Equity Fund™ (Canada)</b> A – CIF 847; F – CIF 827  <b>Capital Group Capital Income Builder™ (Canada)</b> A – CIF 143; F – CIF 123; AH – CIF 8243; FH – CIF 8223	<b>Capital Group Global Equity Fund™ (Canada)</b> A – CIF 843; F – CIF 823  <b>Capital Group International Equity Fund™ (Canada)</b> A – CIF 846; F – CIF 826	<b>Capital Group Canadian Core Plus Fixed Income Fund™ (Canada)</b> A – CIF 841; F – CIF 821  <b>Capital Group World Bond Fund™ (Canada)</b> A – CIF 140; F – CIF 120; AH – CIF 8240; FH – CIF 8220	<b>Capital Group Multi-Sector Income Fund™ (Canada)</b> A – CIF 544; F – CIF 524; A(US\$) – CIF 7244; F(US\$) – CIF 7224
Exchange-traded funds (ETFs)		<b>Capital Group Global Equity Select ETF™ (Canada)</b> CAPG  <b>Capital Group International Equity Select ETF™ (Canada)</b> CAPI	<b>Capital Group World Bond Select ETF™ (Canada)</b> CAPW	<b>Capital Group Multi-Sector Income Select ETF™ (Canada)</b> CAPM
Other mutual funds for a broad investment range	<b>Capital Group Canadian Focused Equity Fund™ (Canada)</b> <b>Capital Group Emerging Markets Total Opportunities Fund™ (Canada)</b> <b>Capital Group Global Balanced Fund™ (Canada)</b> <b>Capital Group Monthly Income Portfolio™ (Canada)</b> <b>Capital Group Canadian Money Market Fund™ (Canada)</b>			



### Voted #1

for thought leadership by advisors since 2019\*

2019    2020    2021    2023    2024

\*Source: Marketing Support: The Advisor View, June 2024, May 2023, July 2021, June 2020; Fund Intelligence, February 2020. FUSE Research surveys of 500-1,000 U.S. advisors identifying the “most-read thought leaders.” Survey was not conducted in 2022.