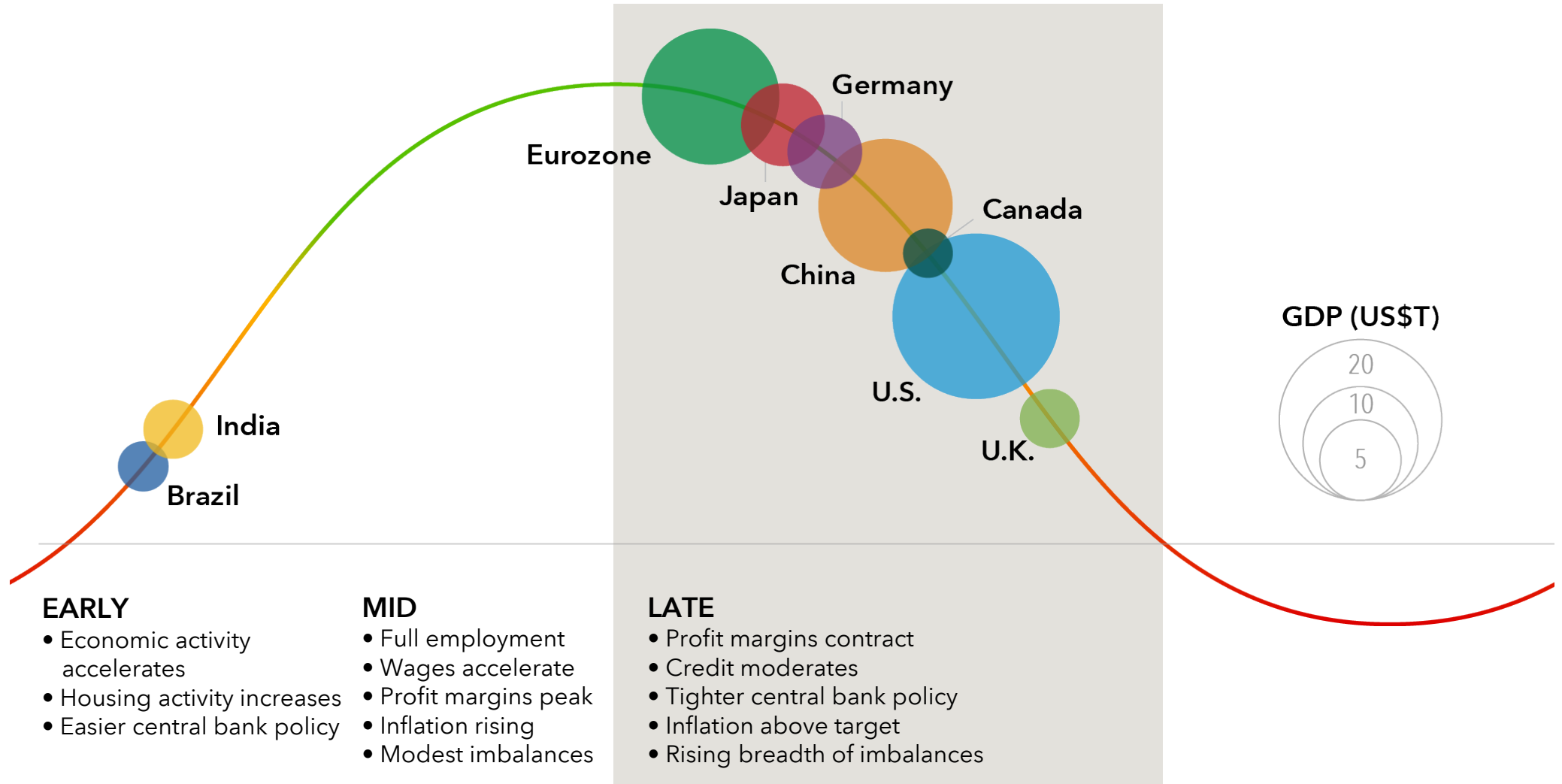




US High Yield -
Realities and
myths

A clearer picture: major economies reach late cycle

Most developed economies are late, some emerging markets are early



Forecasts shown for illustrative purposes only.

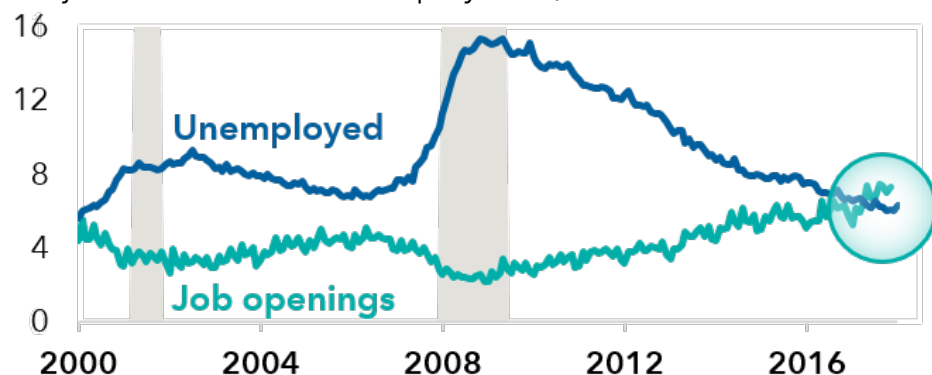
Gross domestic product (GDP) data are in USD and are latest available to 30 September 2018. Country positions within the business cycle are forward-looking estimates by Capital Group economists.

Sources: Capital Group, FactSet

US is late cycle

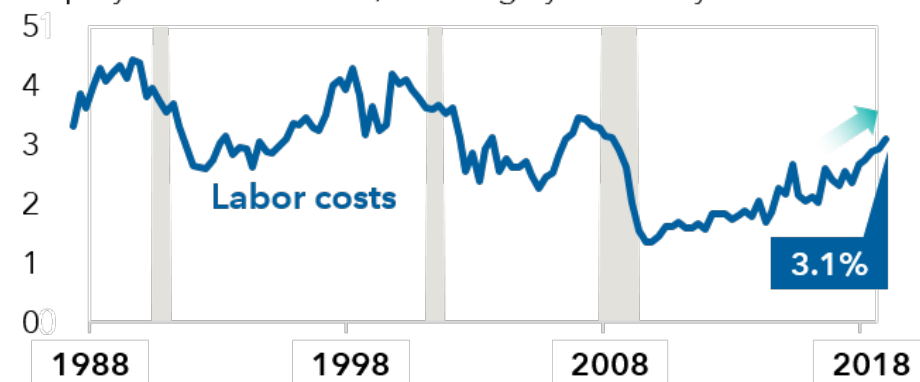
1 Job openings vs. unemployed

US job vacancies and unemployment, millions¹



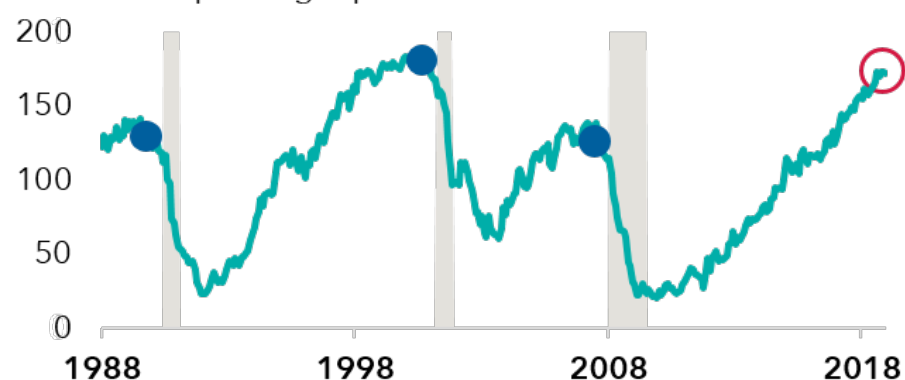
2 Labor costs accelerate as unemployment falls

Employment cost index², % change year-over-year



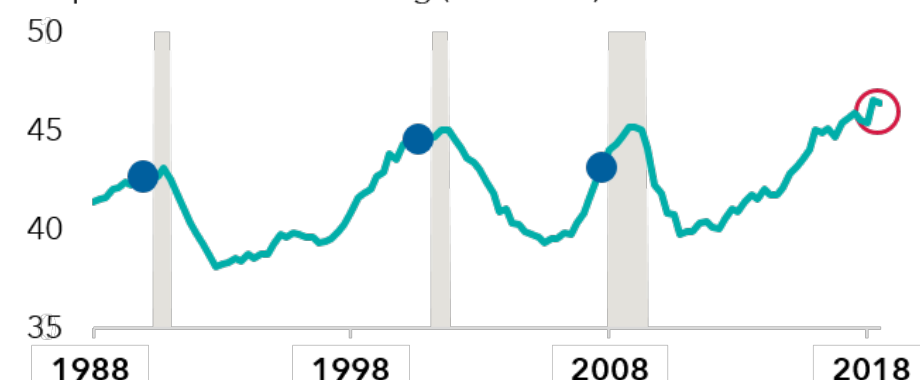
3 Consumer confidence is peaking

Confidence peaking = precursor to recessions³



4 Amount of corporate debt is extremely high

Corporate debt outstanding (% of GDP)⁴



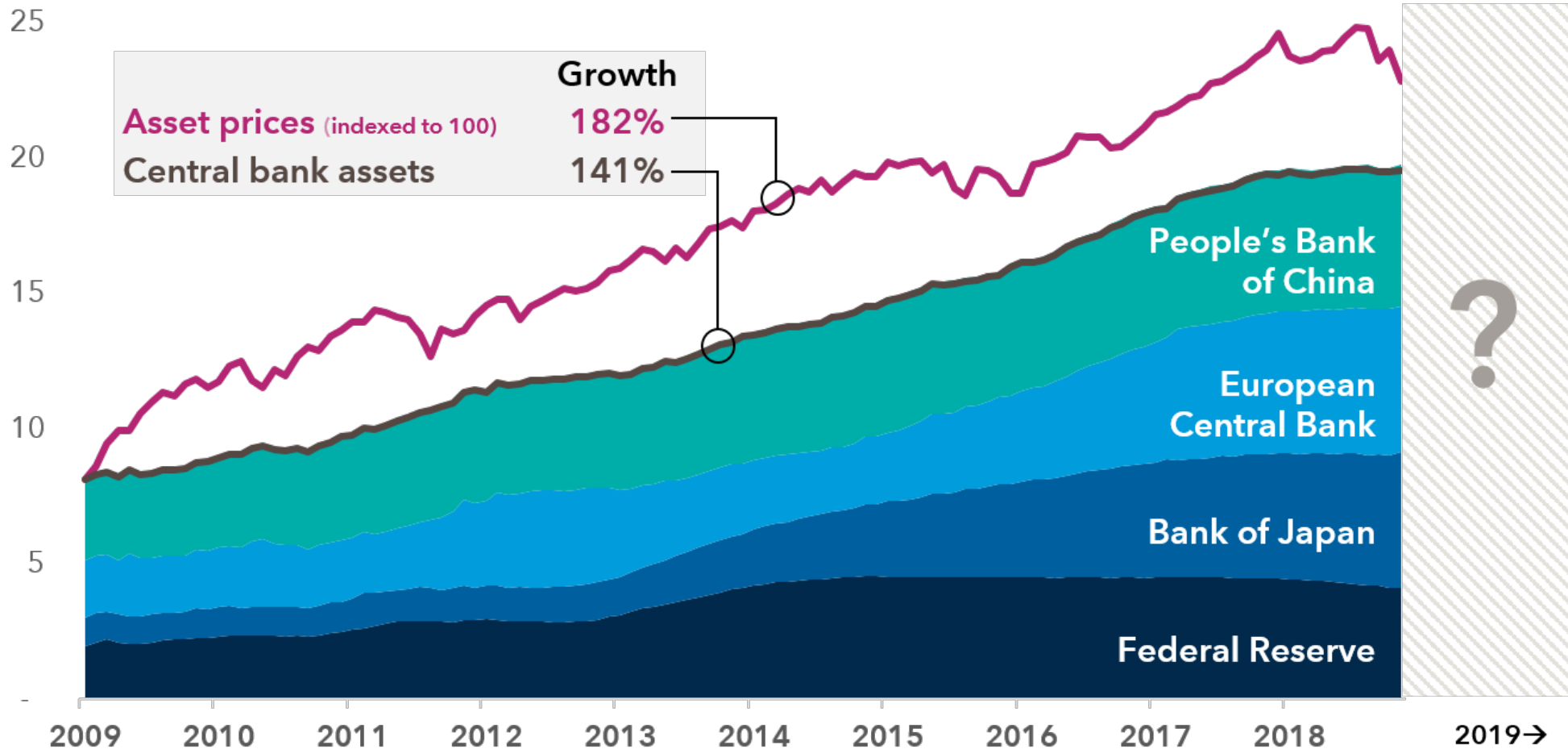
1. Unemployment data as at 31 December 2018; openings data as at 31 October 2018. 2. Employment cost index includes both earnings and non-cash benefits for employees. As at 30 September 2018. 3. As at 31 December 2018. 4. As at 30 September 2018. GDP: gross domestic product.

Sources: Bureau of Labor Statistics, US Federal Reserve, National Bureau of Economic Research, Thomson Reuters

Monetary policy has driven asset prices

Will the shift from QE to QT have an impact on future valuations?

Balance sheet assets (USD trillions)

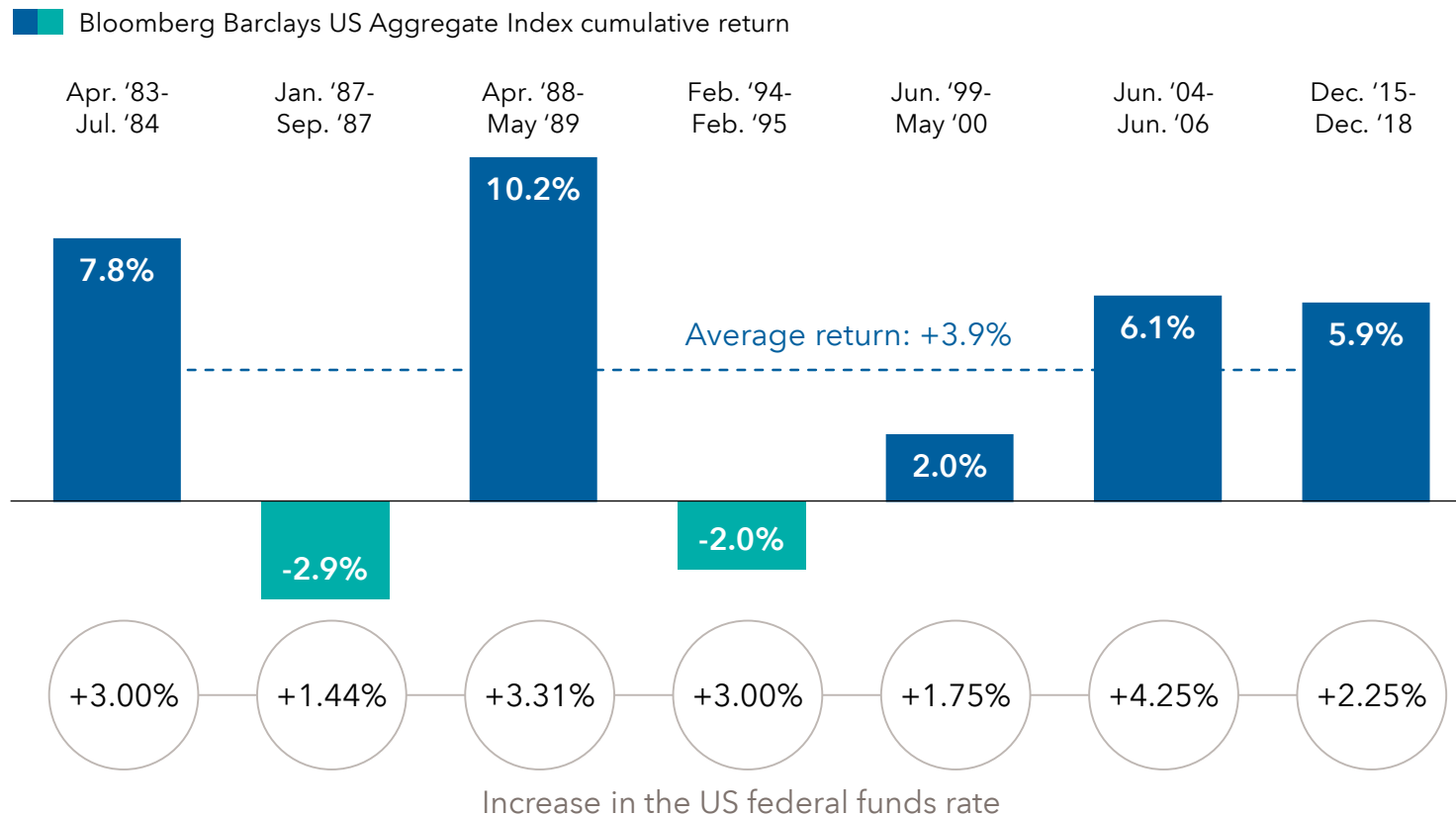


Index = 100 at 28 February 2009. Asset prices reflect a blended asset basket consists of 40% US equities (S&P 500 Index), 20% non-US equities (MSCI ACWI ex. US Index), 30% core bonds (Bloomberg Barclays US Aggregate Index) and 10% real estate (MSCI US REIT Index). QE: quantitative easing. QT: quantitative tightening. All data as at 31 December 2018, except for People's Bank of China, which is as at 30 November 2018. Sources: US Federal Reserve, RIMES, Thomson Reuters

High-quality bonds anchor a portfolio

This approach is suited to today's rising rate environment

High-quality bonds during previous periods of increasing US federal funds rate



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

Data through 31 December 2018 in US dollar terms.

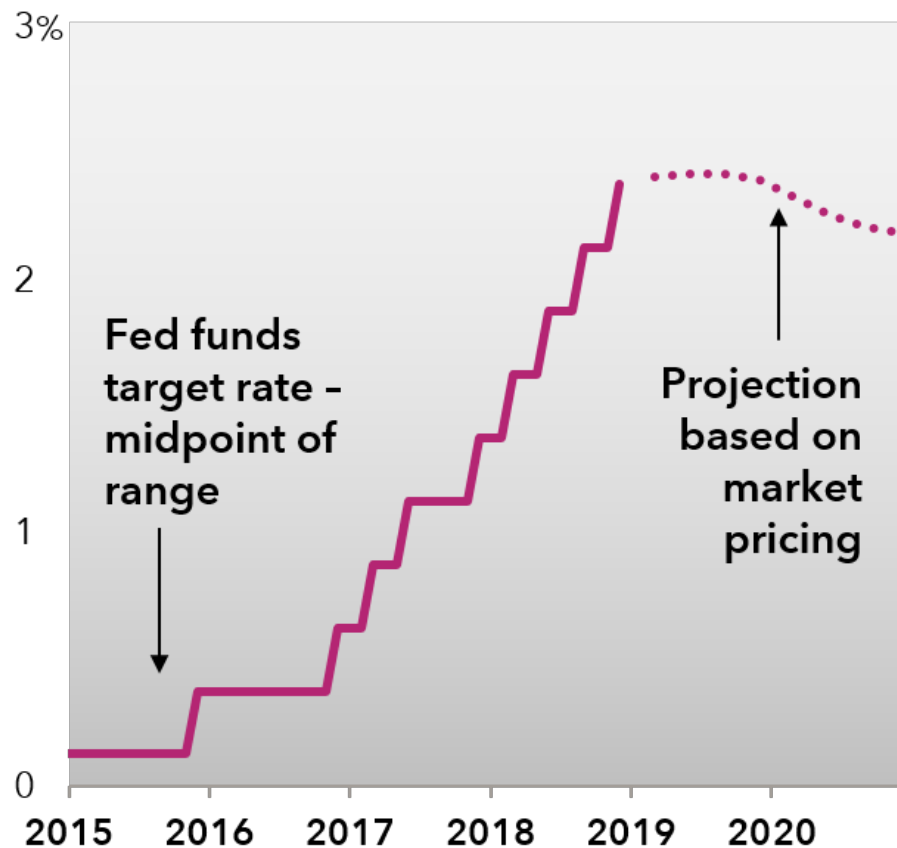
Periods represented above include: 1/4/83-31/7/84, 1/1/87-30/9/87, 1/4/88-31/5/89, 4/2/94-1/2/95, 30/6/99-16/5/00, 30/6/04-29/6/06, 16/12/15-31/12/18.

Note: Daily results for the index are not available prior to 1994. For those earlier periods, returns were calculated from the closest month end to the day of the first hike through the closest month end to the day of the final hike. Sources: Bloomberg Index Services Ltd., US Federal Reserve

The market expects the Fed to pause

Treasury yields expected to stay lower for longer

There are no further Fed rate hikes priced into the market¹



The market has little expectation for higher Treasury yields²

Treasury forward markets

Maturity	31/12/18	1YR	2YR	5YR
2-year	2.49	2.40	2.50	2.80
5-year	2.51	2.55	2.63	2.90
10-year	2.69	2.76	2.84	3.10
30-year	3.02	3.05	3.09	3.20

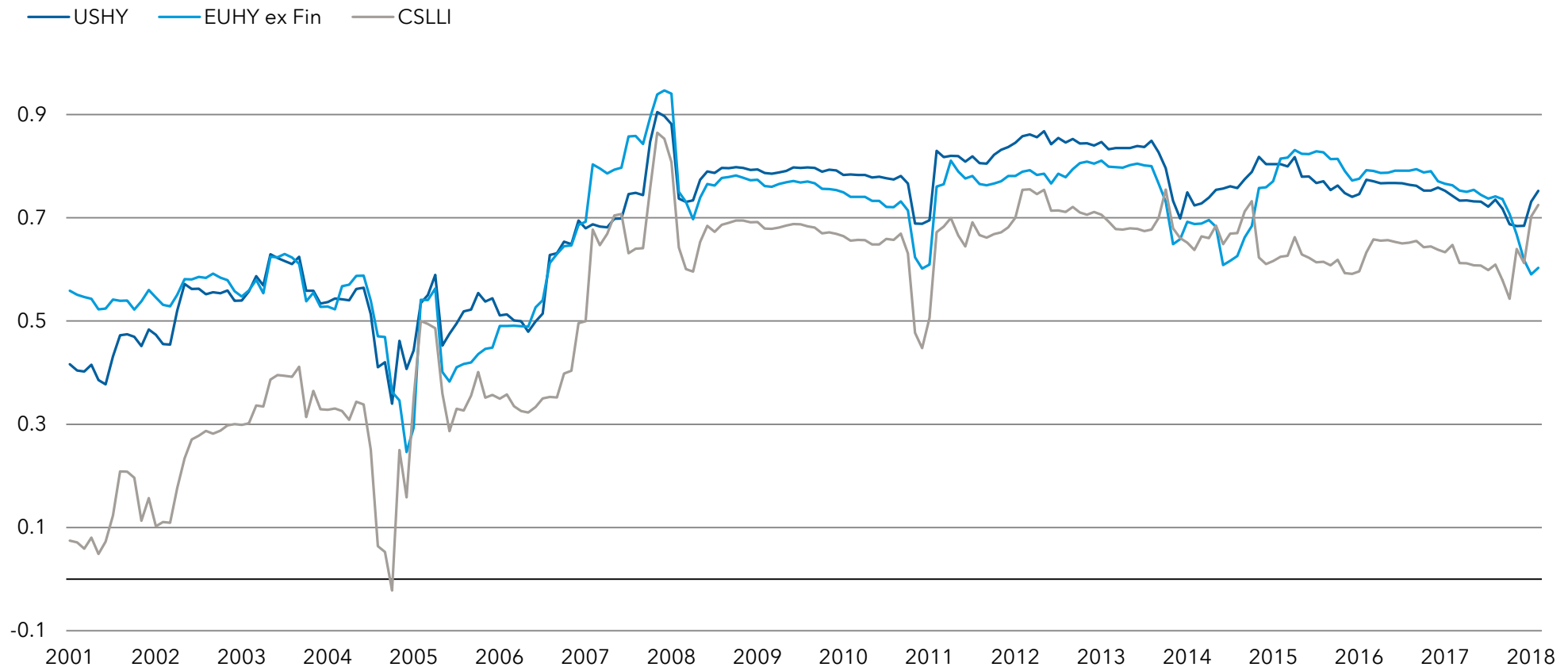
For illustrative purposes only.

1. As at 31 December 2018. Fed: US Federal Reserve. Source: Bloomberg

2. As at 31 December 2018. Source: Bloomberg forward curve matrix, using the US Treasury Actives Curve; Thomson Reuters for today's yields.

High income sectors – what risks are investors taking within corporate credit?

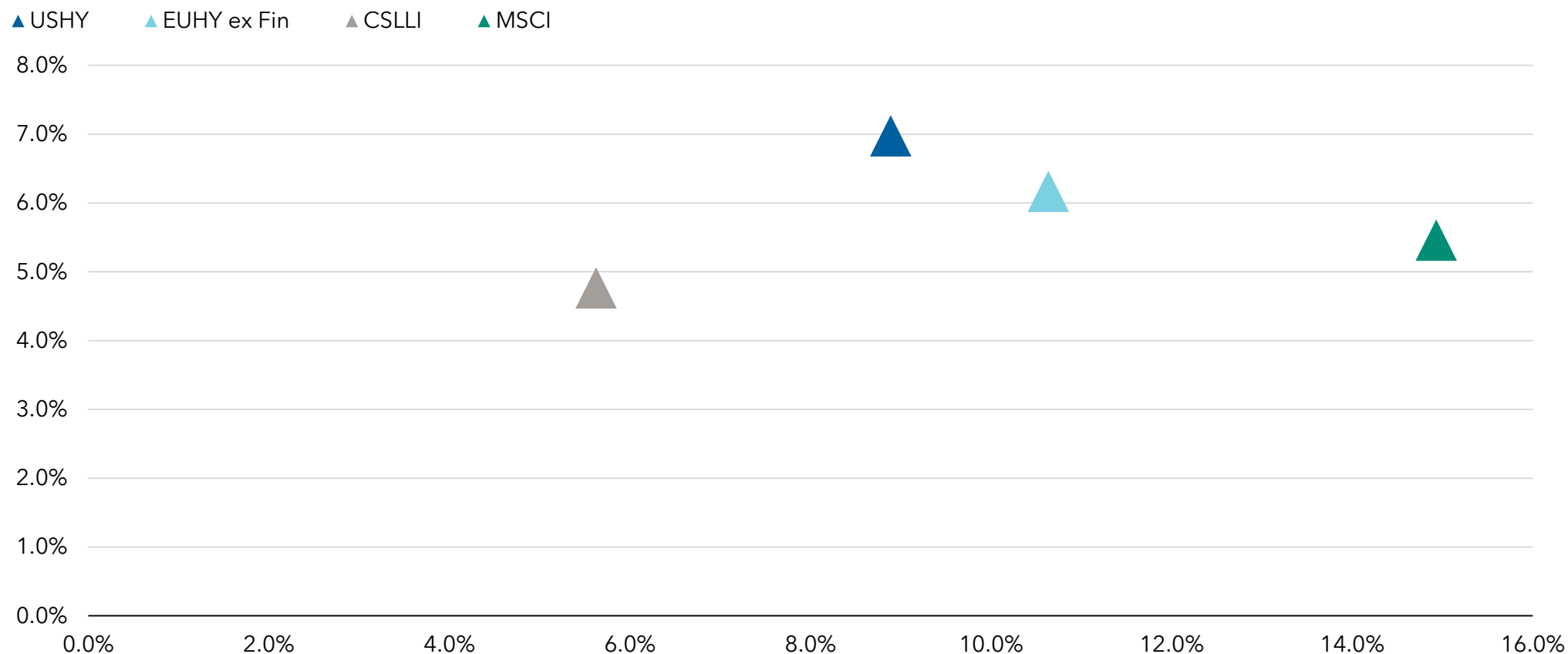
Trailing 3-year MSCI correlations



Data as at 31 December 2018. Source: Bloomberg Barclays
USHY: Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index. EUHY ex Fin: Barclays Euro High Yield ex-financial hedged to USD. CILLI: Credit Suisse Leveraged Loan Index. MSCI: MSCI Global Equity Index.

High income sectors – are investors being compensated for the risks they are taking?

20-year risk and return profiles



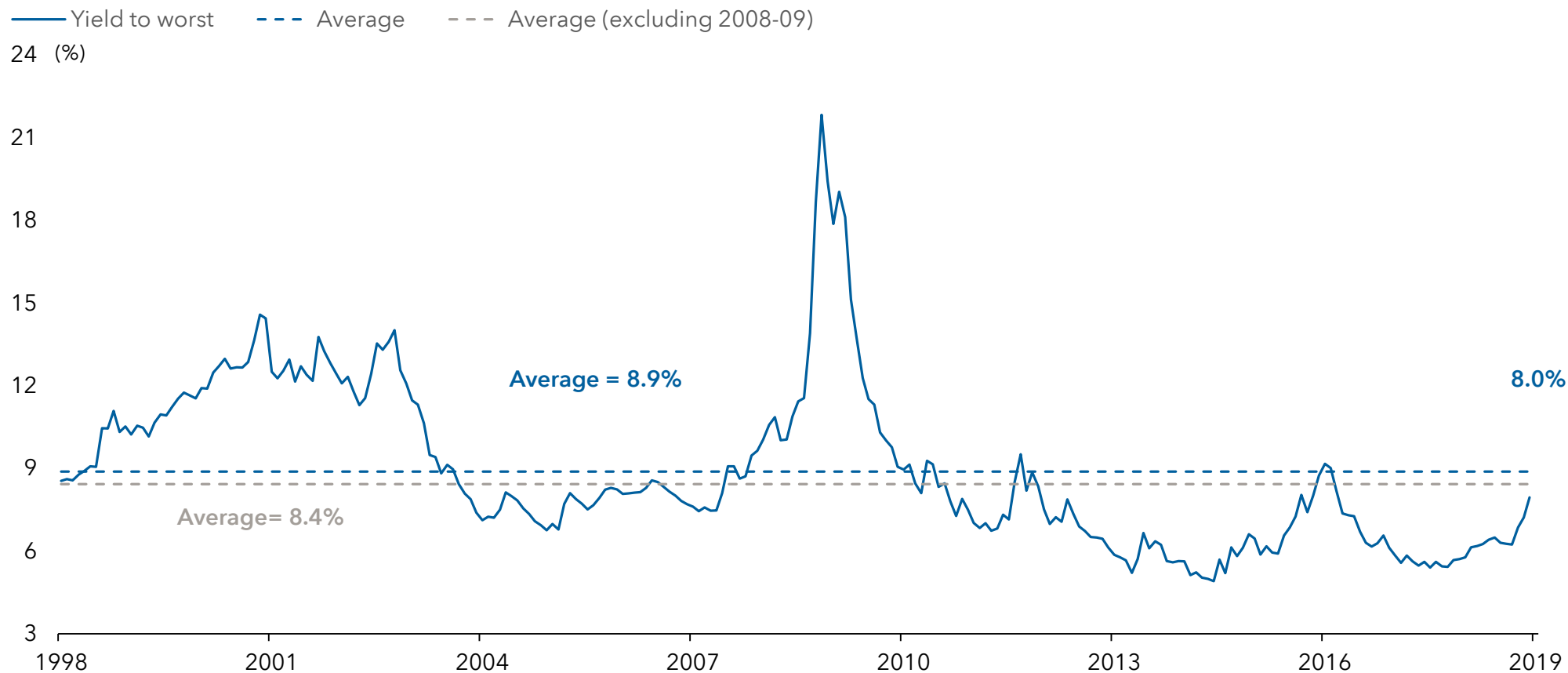
Past results are not a guarantee of future results. For illustrative purposes only. Investors cannot invest directly in an index.

Data as at 31 December 2018. Source: Bloomberg Barclays

USHY: Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index. EUHY ex Fin: Barclays Euro High Yield ex-financial hedged to USD. CILLI: Credit Suisse Leveraged Loan Index. MSCI: MSCI Global Equity Index.

Market update: US high-yield bond yield to worst

Bloomberg Barclays US Corporate High Yield Bond Index yield to worst

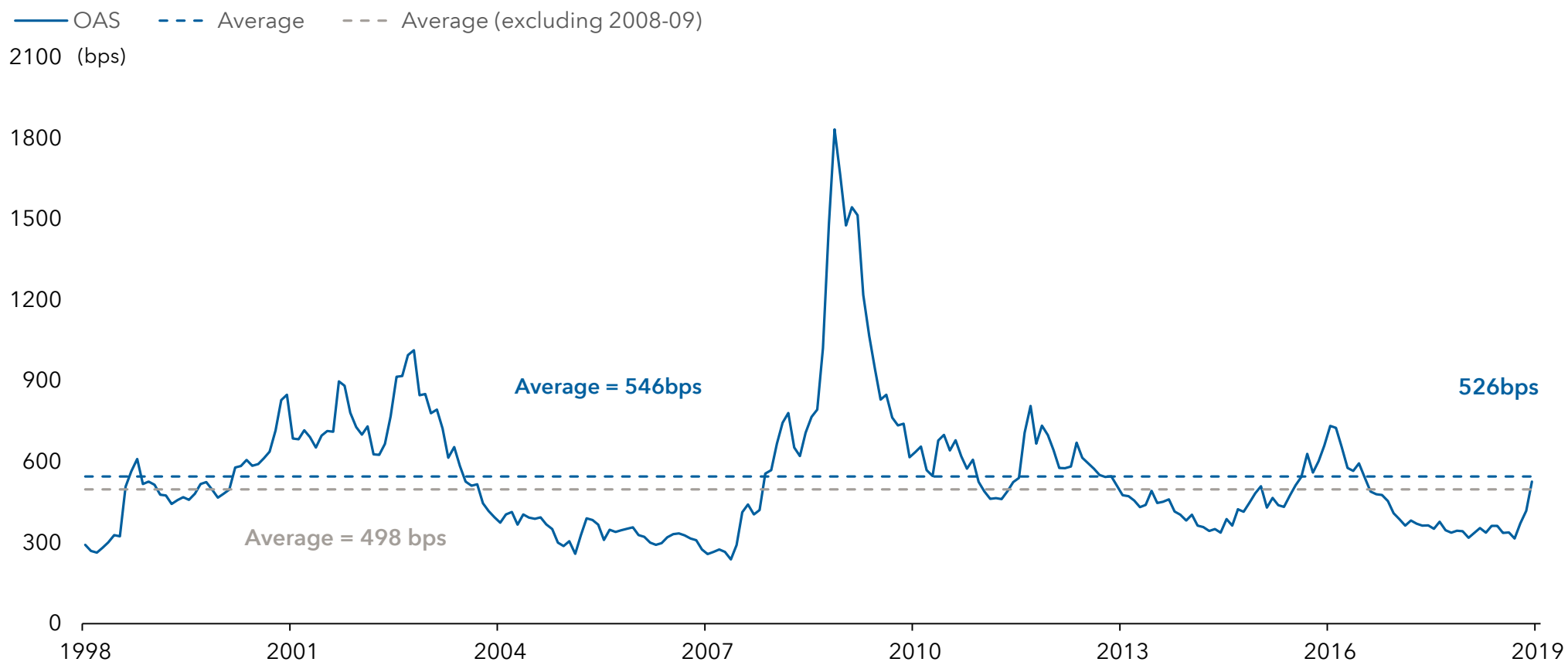


Past results are not a guarantee of future results.

Data as at 31 December 2018. Source: Bloomberg Barclays

Market update: US high-yield spreads

Bloomberg Barclays US high-yield¹ spreads



Past results are not a guarantee of future results.

Data as at 31 December 2018. Source: Bloomberg Barclays

1. Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index

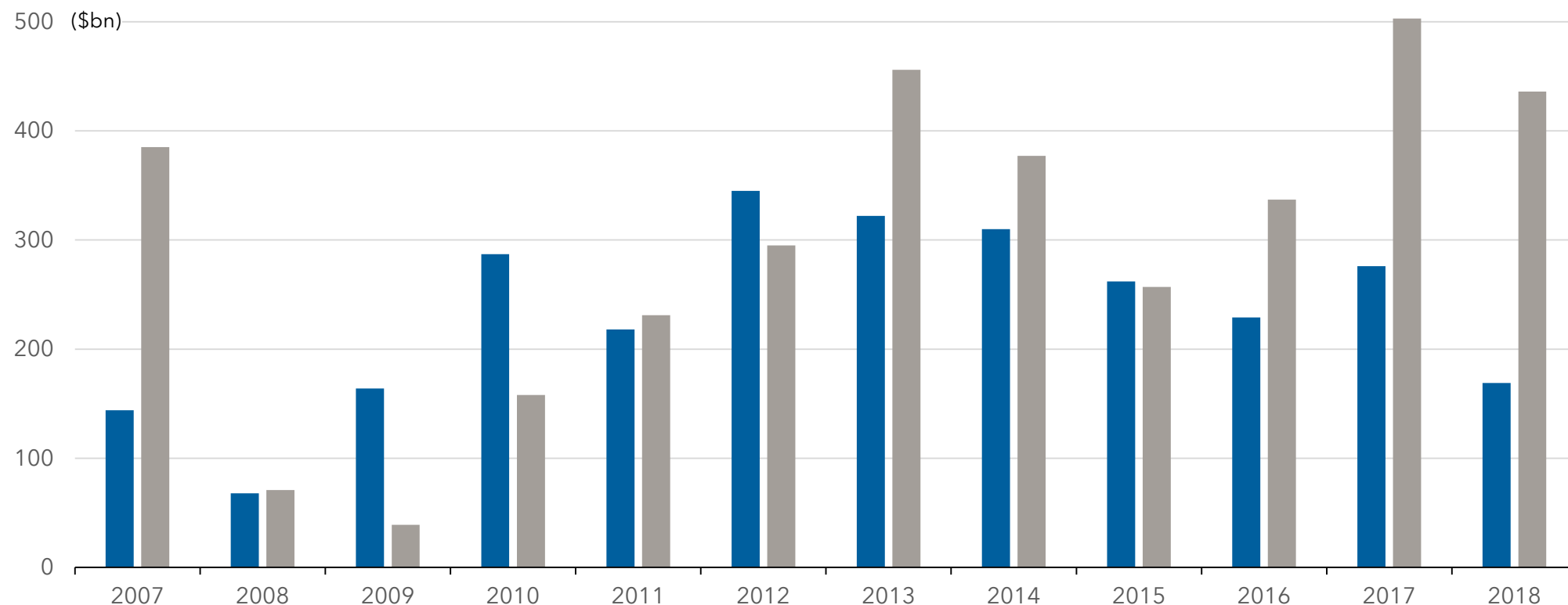
OAS: option-adjusted spread

Market update: below-investment-grade issuance

Post-crisis, US leverage loan issuance has exceeded that of US high-yield bonds by 26%

US high-yield bond and loan issuance

■ US high-yield ■ US loans



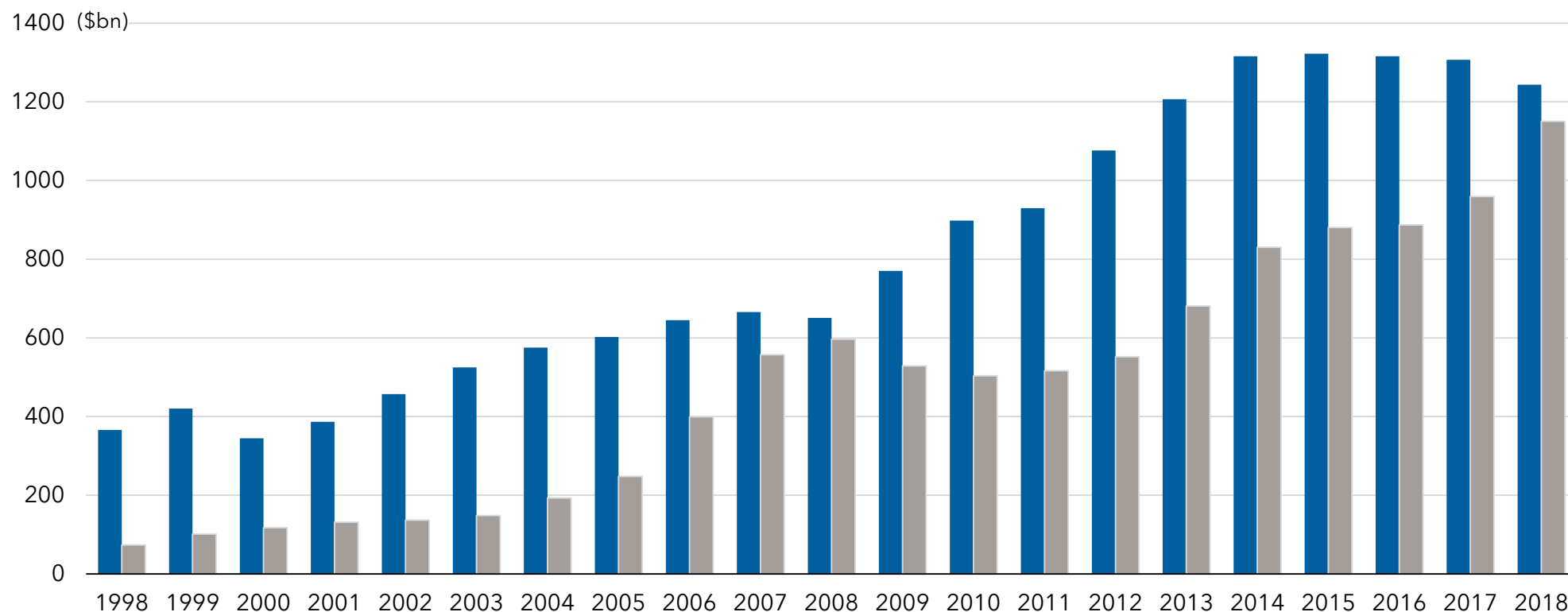
Data as at 31 December 2018. Source: Morgan Stanley

Market update: below-investment-grade outstanding

The US loan market has grown to roughly the same size as US high-yield bond market

US high-yield bonds and loans outstanding

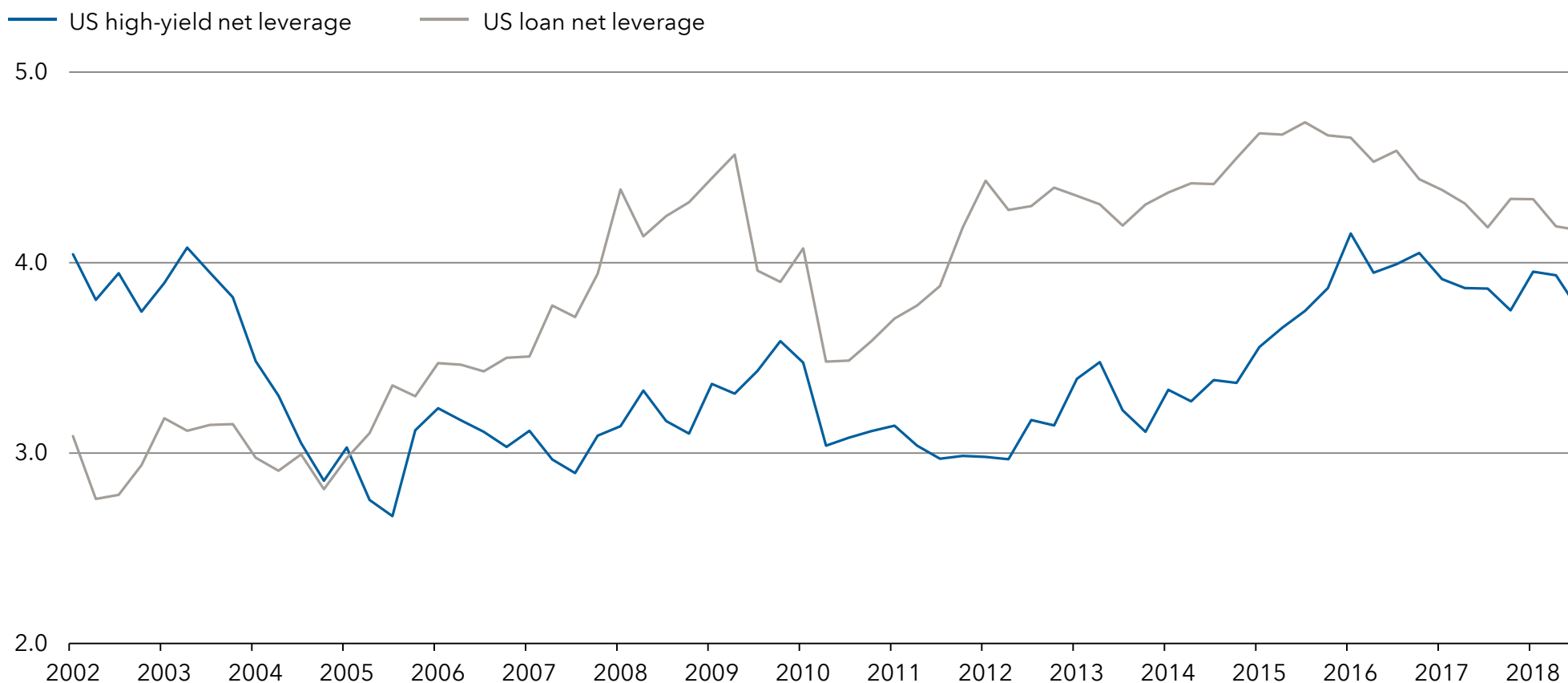
■ US high-yield ■ US loans



Data as at 31 December 2018. Sources: Bloomberg Index Services Ltd, S&P LCD

Market update: below-investment-grade leverage ratios

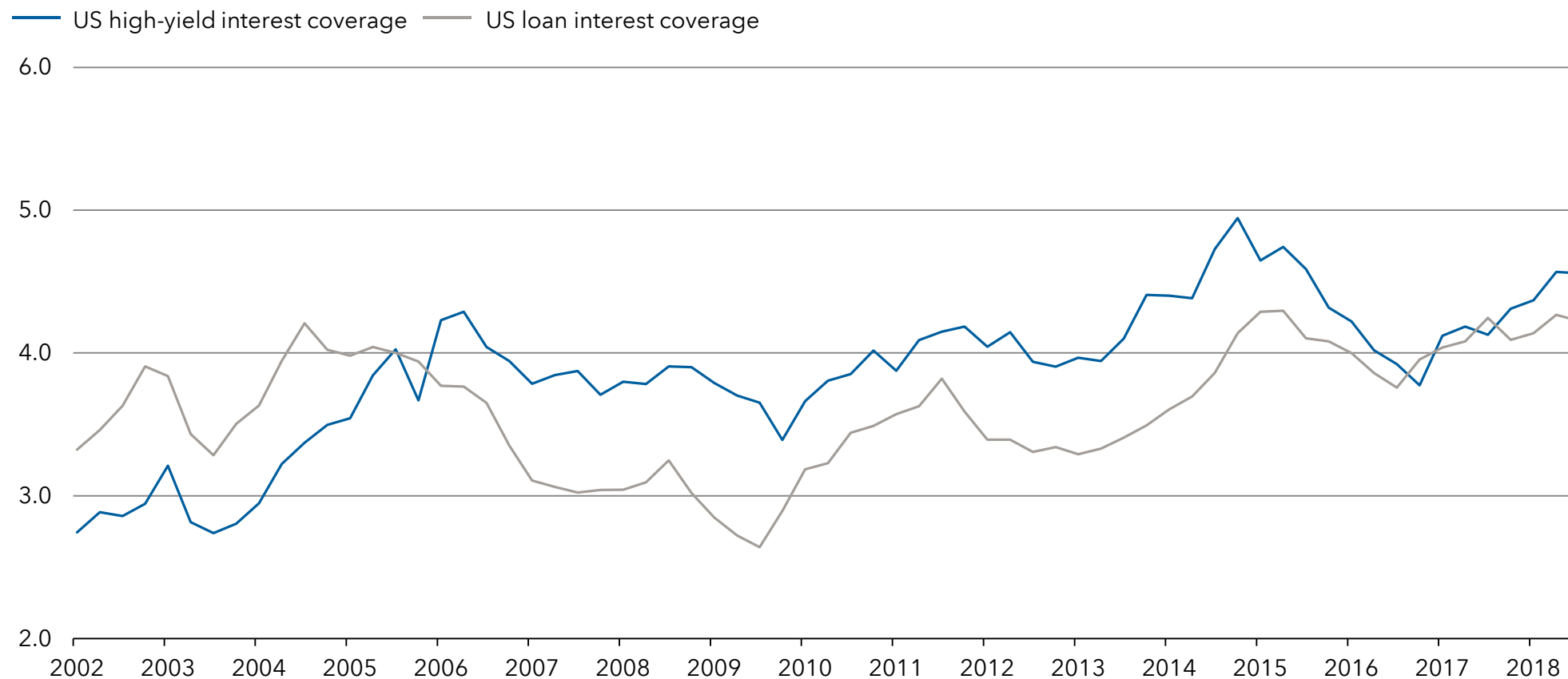
US high-yield and loan net leverage ratios (debt/EBITDA)



Data as at 31 December 2018. Source: Morgan Stanley
EBITDA: Earnings before interest, tax, depreciation and amortisation

Market update: below-investment-grade interest coverage

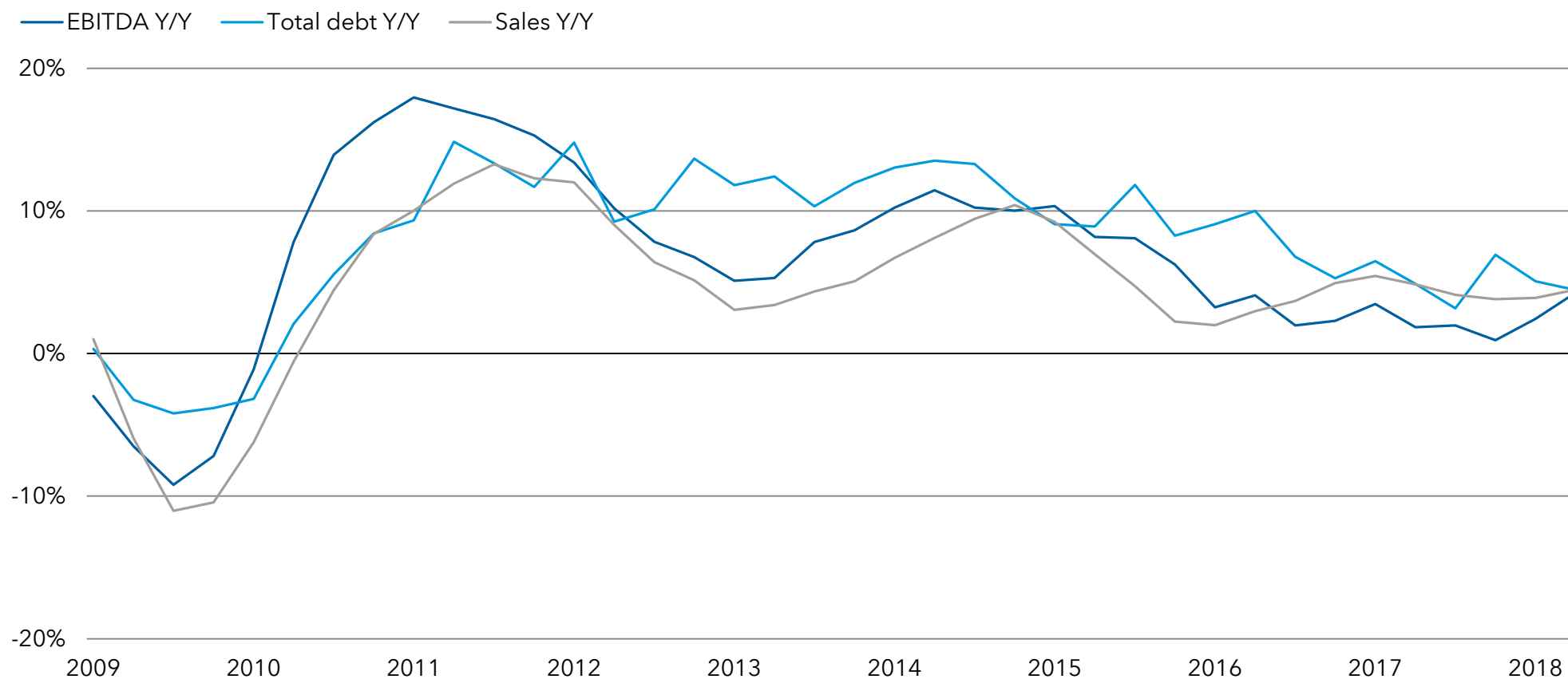
US high-yield and loan interest coverage ratios (EBITDA/interest expense)



Data as at 31 December 2018. Source: Morgan Stanley
EBITDA: Earnings before interest, tax, depreciation and amortisation

Market update: fundamentals remain good

High-yield EBITDA, debt and sales growth - ex-commodities



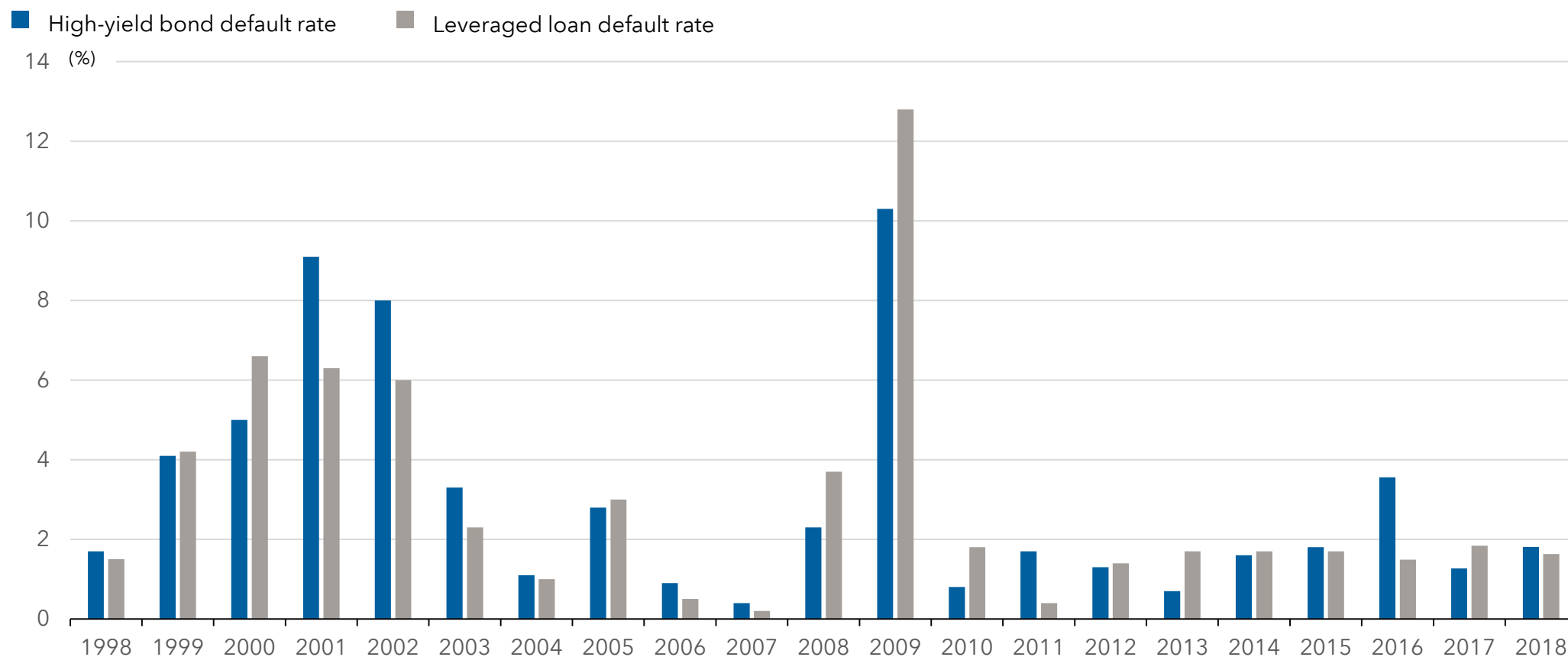
Past results are not a guarantee of future results.

Data as at 31 December 2018. Sources: Morgan Stanley Research, Bloomberg Finance LP, S&P Capital IQ

EBITDA: Earnings before interest, tax, depreciation and amortisation. Y/Y: year on year.

Market update: below-investment-grade default volume

US high-yield bond and loan default rates (%)



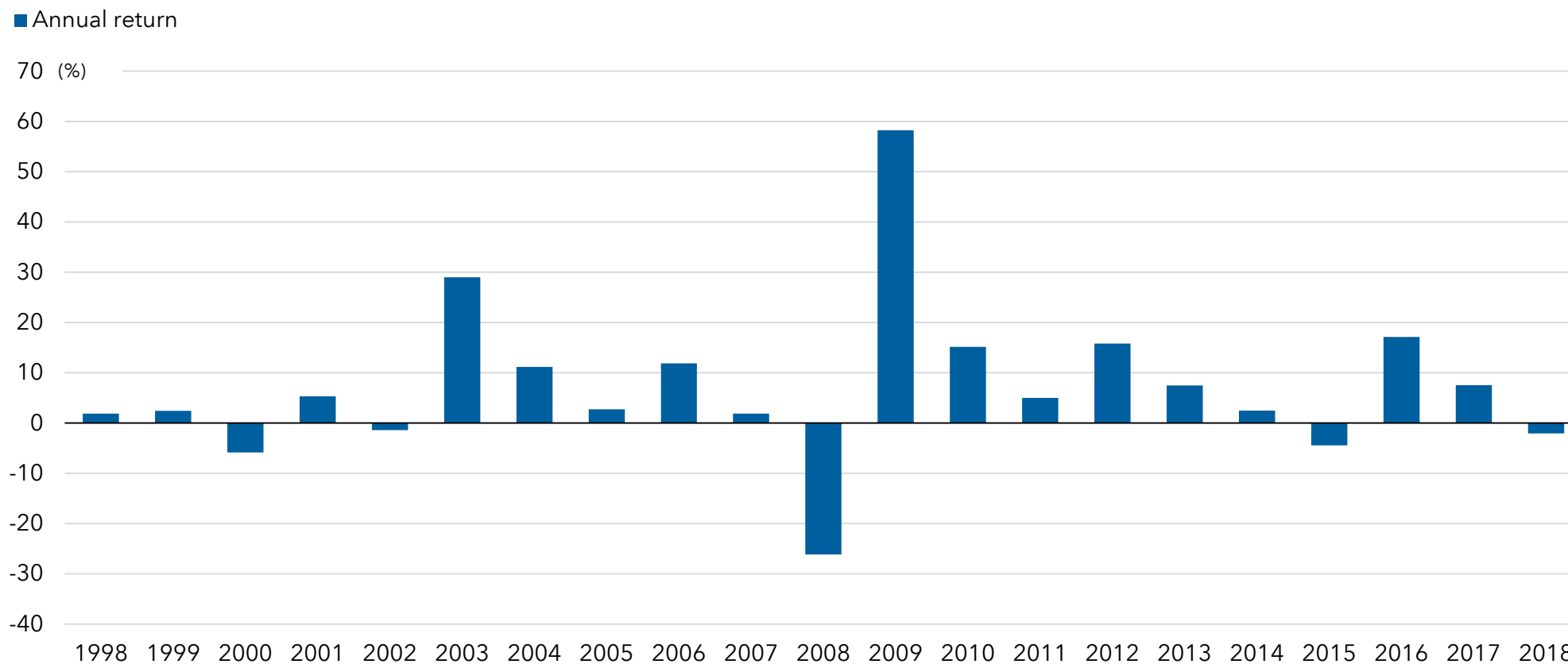
Past results are not a guarantee of future results.

Data as at 31 December 2018. Source: JPMorgan

Myth: when US high-yield bond returns are negative, the pain is severe

Will the shift from QE to QT have an impact on future valuations?

Bloomberg Barclays US high-yield¹ annual returns

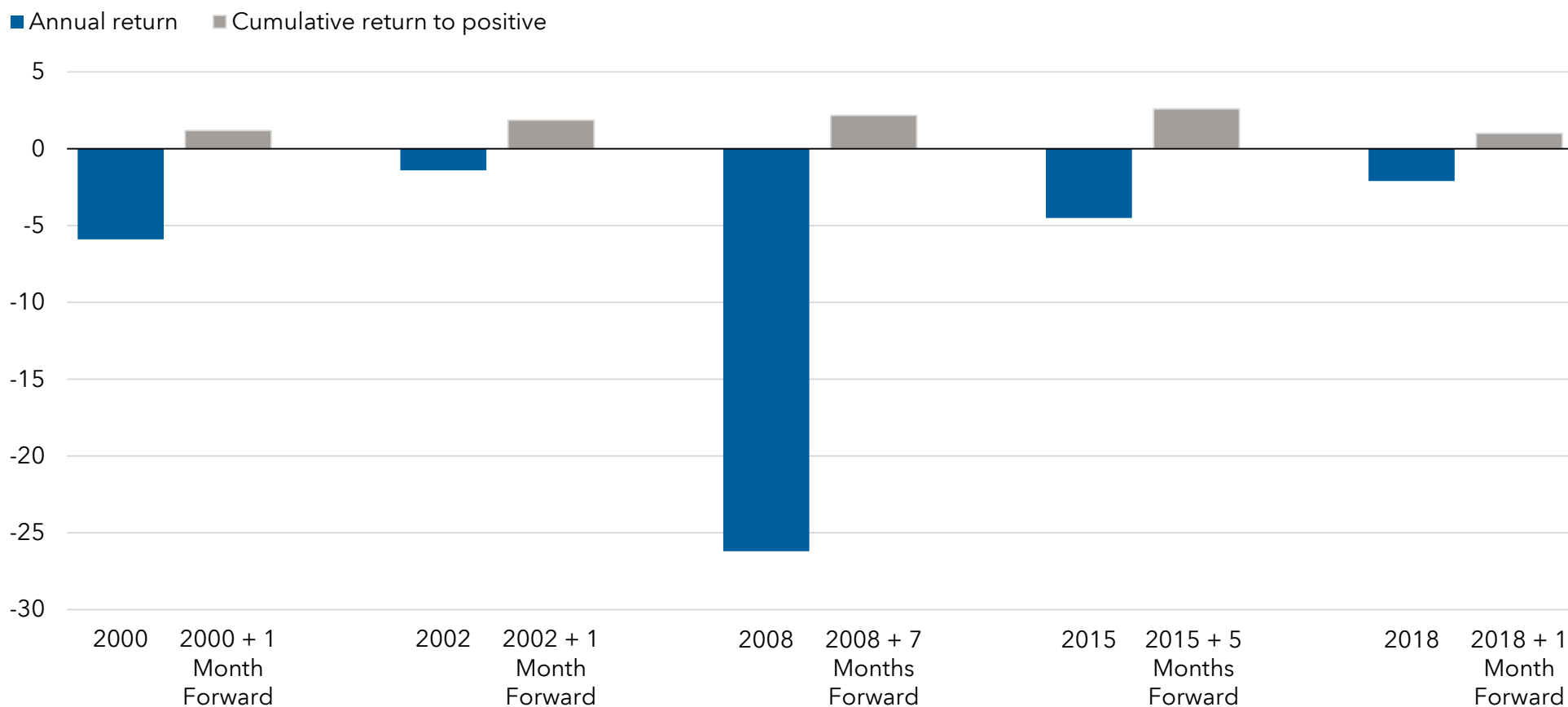


Past results are not a guarantee of future results.

Data as at 31 December 2018. Sources: Bloomberg Barclays
1. Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index
QE: quantitative easing. QT: quantitative tightening.

Reality: high-yield valuations typically recover within three months

Negative, and subsequent positive, annual returns for Bloomberg Barclays US high-yield¹ (%)



Past results are not a guarantee of future results.

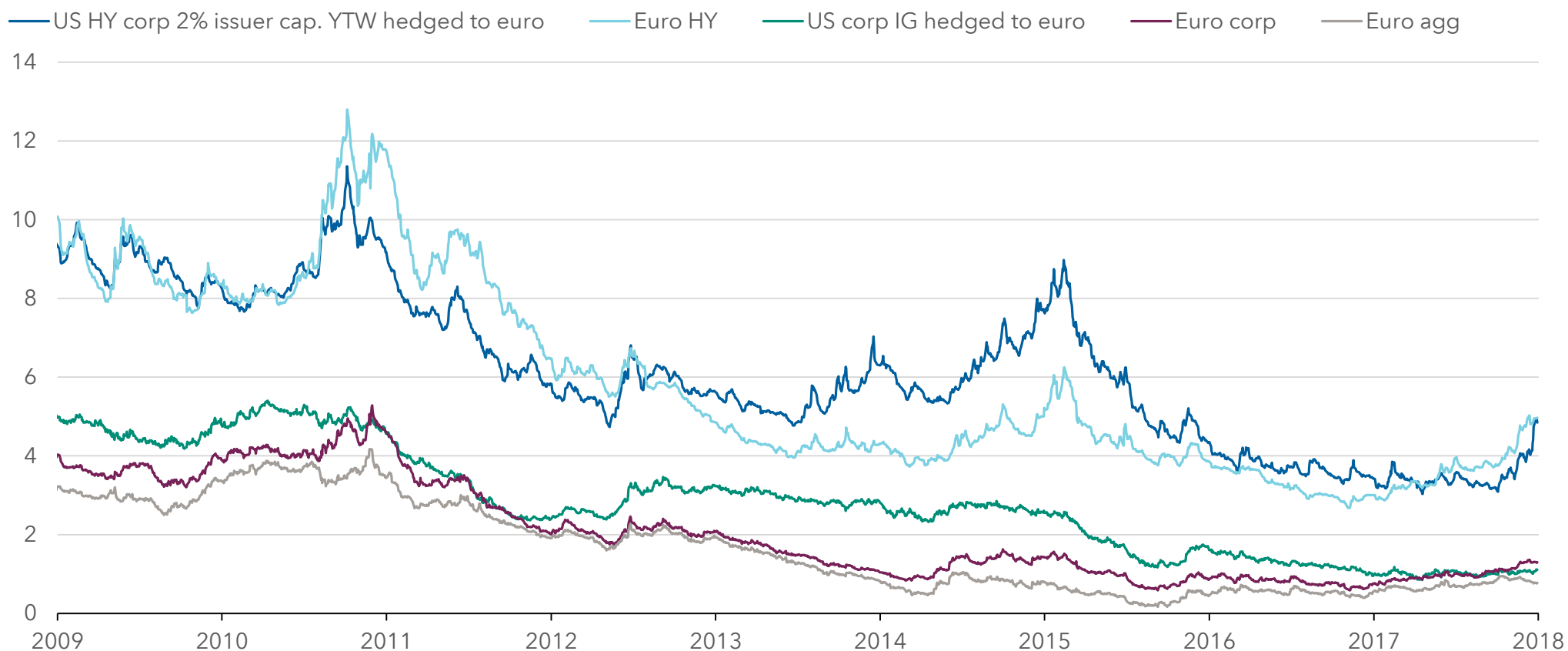
Data as at 31 December 2018. Sources: Bloomberg Barclays

1. Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index

Outlook: opportunities continue to develop across markets

US credit euro-hedged yields - comparison to euro credit

Euro-hedged yield to worst (%)



Past results are not a guarantee of future results.

Data as at 31 December 2018. Sources: Bloomberg Index Services Ltd

US HY corp 2% issuer cap: Bloomberg Barclays US Corporate High Yield 2% Issuer Capped. Euro HY: Bloomberg Barclays Pan-European High Yield. US corp IG hedged to euro: Bloomberg Barclays US Aggregate Corporate. Euro corp: Bloomberg Barclays Euro Aggregate Corporate. Euro agg: Bloomberg Barclays Euro Aggregate. YTW: yield to worst.

Appendix

Capital Group US High Yield Corporate Bond Composite

As at 31 January 2019 in US\$ terms

%		Composite ¹	Benchmark ²	Excess return ³	%		Composite ¹	Benchmark ²	Excess return ³
2002	5 months	10.4	7.8	2.6	2015		-5.2	-4.4	-0.8
2003		22.1	28.8	-6.7	2016		19.5	17.1	2.4
2004		10.2	11.1	-0.9	2017		7.6	7.5	0.1
2005		3.0	2.8	0.2	2018		-1.5	-2.1	0.6
2006		11.9	10.8	1.1	2019	1 month	4.8	4.5	0.3
2007		1.9	2.3	-0.4					
2008		-23.4	-25.9	2.5					
2009		48.6	58.8	-10.2	Annualised lifetime		8.4	8.8	-0.4
2010		13.2	14.9	-1.7	(16 years 6 months)				
2011		4.4	5.0	-0.6	1 year		2.2	1.7	0.5
2012		13.8	15.8	-2.0	3 years p.a.		10.6	9.4	1.2
2013		9.0	7.4	1.6	5 years p.a.		5.2	4.6	0.6
2014		2.8	2.5	0.3	10 years p.a.		10.5	10.9	-0.4

Total value of Capital Group U.S. High Yield Corporate Bond
as at 31 January 2019 is US\$ 725 million (3 accounts)

Past results are not a guarantee of future results.

As Capital Group US High Yield Fund (LUX) launched on 30 October 2017, a meaningful track record has yet to be established, so the investment results shown here are for the Capital Group US High Yield Corporate Bond Composite (defined as a single group of discretionary portfolios that collectively represent a particular investment strategy or objective). This is intended to illustrate our experience and capability in managing this strategy over the long term. Our Luxembourg fund has been a member of this composite since the beginning of November 2017.

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

2. The benchmark shown is the Bloomberg Barclays US Corporate High Yield 2% Issuer Cap. Index. Source: Bloomberg Barclays

3. The excess return is calculated arithmetically.

This information supplements or enhances required or recommended disclosure and presentation provisions of the GIPS® standards, which if not included herein, are available upon request. GIPS is a trademark owned by CFA Institute.

Striving to meet investor needs with focused strategies

Our wide range of services

Core	Euro Aggregate¹ Global Aggregate¹ Global Intermediate² Global Plus	US Core US Core Plus US Long Duration
Credit	Euro Investment Grade Credit¹ Global Investment Grade Credit¹	US Investment Grade Credit¹ US Investment Grade Municipals
Higher yielding universe	Emerging Markets Debt¹ Emerging Markets Local Currency Debt¹ Emerging Markets USD Debt Emerging Markets Corporate Debt	Global High Income Opportunities¹ Global High Income Select (VAG compliant) US High Yield¹ US High Yield Municipals

Reflects our range of strategies available as separate accounts in Europe and Asia.

1. Available as both Luxembourg-domiciled UCITS funds and separate accounts.

2. Solely available as a Luxembourg-domiciled UCITS fund and currently only available for sale in Hong Kong, Korea, Singapore, Luxembourg and the UK.

Composite information in US\$

US High Yield Corporate Bond

Year	Annual composite gross return %	Annual benchmark return %	Annualised 3 yr composite standard deviation %	Annualised 3 yr benchmark standard deviation %	Annual composite dispersion %	Number of portfolios in composite	Assets in composite (millions)	Total GIPS Firm assets (millions)
2008	-23.4	-25.9	12.0	13.1	-	-	471	972,438
2009	48.6	58.8	14.8	16.7	-	-	193	1,180,449
2010	13.2	14.9	14.8	16.8	-	-	395	1,228,573
2011	4.4	5.0	9.5	11.0	-	-	414	1,084,964
2012	13.8	15.8	6.4	7.1	-	-	463	1,144,251
2013	9.0	7.4	5.8	6.4	-	-	409	1,336,777
2014	2.8	2.5	4.2	4.5	-	-	393	1,395,198
2015	-5.2	-4.4	5.3	5.3	-	-	340	1,389,111
2016	19.5	17.1	6.3	6.0	-	-	398	1,477,471
2017	7.6	7.5	5.9	5.6	-	-	722	1,774,944

Past results are not a guarantee of future results

The accompanying disclosures to the Composite Information are an integral part of the presentation.

Composite information in US\$

US High Yield Corporate Bond Disclosure and Fees

Compliance

The Capital Group Companies ("Capital Group") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Capital Group has been independently verified for the periods January 1, 2008 to December 31, 2016. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Firm definition

The "Firm" is defined as Capital Group and includes all portfolios, excluding Capital International Private Equity Funds ("CIPEF"), managed within its subsidiaries and divisions. The Firm 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.

Composite

The composite consists of all discretionary portfolios that are managed to the U.S. total return fixed income strategy, with an investment focus on high yielding corporate bonds. The strategy seeks to provide a high total return, with a large current-income component, by investing in high-yield securities. Composite characteristics include investments primarily in U.S. high-yield corporate bonds. Additionally, portfolios within the composite have emerging markets restrictions/guidelines further defining the investment universe. Composite inception date is August 1, 2002. Composite creation date is June 30, 2017.

Benchmark

Index represents the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap. Index was obtained from published sources and has not been examined by an independent accounting firm.

Exchange rates

For periods prior to January 1, 2011, the Firm's portfolios may use the Reuters Closing Spot Rates taken at 4:00 p.m. London time or the Reuters Spot Rates taken at 11:00 a.m. Pacific time as sources for exchange rates. The majority of composite benchmarks, published by index providers, use the Reuters Closing Spot Rates taken at 4:00 p.m. London time as source for exchange rates. In addition, the Firm uses the WM Closing Spot Rates taken at 4:00 p.m. to convert composites and benchmarks from base currency into any other reporting currency.

Presentation of results and fees

Composite results reflect the reinvestment of dividends, interest and other earnings. Composite gross results are presented before management fees but after all trading expenses. The composite may include portfolios with gross results that reflect the deduction of certain administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Past performance does not guarantee future results. The starting annual management fee rate for an investment from an institutional investor in US High Yield Corporate Bond is 0.65%. Other fee rates may apply depending on the investment vehicle, size of investment and investor profile.

Annual composite dispersion

The composite dispersion measure presented is the asset-weighted standard deviation. This is a measurement of internal dispersion that represents the distribution of individual portfolio returns around the asset-weighted mean. Portfolios are only included in each dispersion calculation if they are present in the composite for the entire period. The asset-weighted standard deviation dispersion measure is included for full calendar years except where the composite contains five portfolios or less for the full year.

Standard deviation

The annualized three-year standard deviation measures the variability of the returns over the preceding 36-month period. Standard deviation is not presented for periods where 36 monthly composite returns are not available.

Number of portfolios

Periods that end with five portfolios or less are not presented.

General

A complete list and description of Firm composites and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. GIPS® is a trademark owned by CFA Institute. This material is designed for use solely by Qualified Purchasers, institutional investors and consultants. It may not be disseminated to or used by individual plan participants or retail investors.

Cost Disclosure for US Corporate Fixed Income - Segregated Account

The cumulative effect of costs on return

- This document provides a summary of the estimated costs and charges your investment in a segregated account may incur so that you can make an informed decision about whether to invest.
- This assumes the value of your segregated account investment at the beginning of the initial year remains the same value for the subsequent year(s) to demonstrate potential costs and charges relative to the investment.
- Costs are calculated as a percentage of the value of your investment, and as future performance cannot be guaranteed, the value may be higher or lower than this estimation and may change annually.

Illustration of estimated annual costs for a USD 100 million investment

Costs	% of TNA	In USD
Ongoing costs ¹ <i>Related to the management and operation of your segregated account</i>	0.50%	\$500,000
Transaction costs ² <i>Incurred as a result of the purchase and sale of investments in your segregated portfolio.</i>	0.57%	\$570,000
Total each Year	1.07%	\$1,070,000

This illustration uses a representative portfolio. Actual costs may vary though no spikes or fluctuations are anticipated. There are no product costs or third party costs to be disclosed.

Data as at 30 September 2018

1. Ongoing charges include only Management Fees based on the typical fee schedule, and do not include any fees or charges imposed by third parties (e.g. custodians).

2. Transaction costs are calculated based on the last three years of transaction data, where available, and include both explicit costs and implicit costs.

One-off charges (such as entry or exit fees and performance fees) are not applicable.

Regulatory information

Capital International Management Company Sàrl (CIMC)

Registered office:
37A, avenue J.F. Kennedy
L-1855 Luxembourg

+352 27 17 621 Telephone
+352 27 17 6290 Facsimile
capitalgroup.com

Registered in Luxembourg, number:
R.C. B 41.479

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- **This material is not intended to provide investment advice or be considered a personal recommendation.**
- **The value of shares and income from them can go down as well as up and you may lose some or all of your initial investment.**
- **Past results are not a guide to future results.**
- **If the currency in which you invest strengthens against the currency in which the underlying investments of the fund are made, the value of your investment will decrease.**
- **Depending on the strategy, risks may be associated with investing in emerging markets and/or high-yield securities; emerging markets are volatile and may suffer from liquidity problems.**

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