

FAQ: Management Costs Reduction For Capital Group Australia Funds

What is this change about?

Capital Group Investment Management Limited (CGIML), the Responsible Entity for Capital Group Australia Funds, will be reducing the Management Costs¹ it charges for managing each of the Funds, effective 1 July 2022.

For the investors who currently receive a rebate on the Managements Costs of their investment in one or more of the Capital Group Australia Funds, this change will generally remove a rebate payment and instead provide a fully transparent cost to investors at the rate that is currently achieved via a rebate payment. The lower Management Costs will mean a lower basis point impact on NAV, with a corresponding benefit to the investment results of the Funds and the investor outcome over the long term. At the same time, the change will reduce the administrative burden for intermediaries and the corresponding complexity of this model for investors. Rebate agreements will be terminated or amended as appropriate.

The Management Costs for all CG Australian Funds will be reduced, as shown in the table below:

Fund	Management Costs Current	Management Costs Effective July 1, 2022
New Perspective Fund	0.95%	0.75%
New Perspective Fund (Hedged)	0.95%	0.75%
Global Equity Fund	0.96%	0.75%
World Dividend Growers	0.95%	0.75%
New World	1.18%	0.85%
New World (Hedged)	1.18%	0.85%
Global Corporate Bond	0.60%	0.50%
Global Total Return Bond	0.65%	0.54%
Global High Income Opportunities	0.85%	0.75%

¹ Management Costs are the fees and costs for managing your investment and comprise of all costs of operating the Funds including Responsibility Entity remuneration, investment management fees and expenses such as custody, administration and audit fees.

What is the rationale for reducing the Management Cost?

i. Cost transparency: Some investors already benefit from a lower net Management Cost after receipt of the rebate payments, however this lower cost is not fully transparent and the benefit of the lower net fee to these investor is delayed through the rebate process. Capital Group is committed to providing active management at a competitive cost and we support a transparent fee model - this change is an important step in delivering on this commitment. Furthermore, we believe a rebate payment outside the Fund is sub-optimal for investors: Small differences in investment outcomes - just a few basis points even over short periods - can compound over a lifetime and drive vastly different experiences for people.

ii. Minimizing operational complexity: The process for establishing and calculating rebates is complex, manual and time consuming for intermediaries, and can be opaque for investors. The payment of rebates on a large scale across multiple platforms and with varying methodologies introduces increasing operational complexity and the risk of incorrect payments.

iii. Consistent and competitive management cost: This change will inform existing and prospective investors on the true value proposition of the Funds, as they consider Capital Group's competitive Management Costs alongside the investment objective and return profile of our Funds.

When will the lower Management Costs be effective?

1 July 2022. This date aligns with the start of the new financial year of the Capital Group Australia Funds.

Why are we making this change now?

The market environment is evolving and transparency in fund pricing is a key element. This aligns with our core principles and global offering, and we want to move quickly towards this end goal for investors. In parallel, our fund offering has achieved a level of scale that allows us to make this change.

What is the impact to the Funds and its unitholders?

The Management Costs charged to the Funds will be reduced as outlined above. This will result in a lower Indirect Cost Ratio in each case. Unitholders will benefit from the lower Management Costs.



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Would there be any changes to the investment objectives of the Funds?

No. There will not be any changes to the investment objectives of the Funds at this time.

Is there any action required of the existing unitholders?

No action is required of existing unitholders. The reduced Management Costs for the Funds will be effective 1 July 2022.

What will happen to the rebates that the investors are currently receiving?

The final rebate payment will be calculated for the period 1 April - 30 June 2022 and settled according to the existing rebate agreements for the investors. Effective 1 July, the lower Management Costs will be applied to the relevant Funds and rebates will no longer apply. Existing rebate agreements will terminate effective 1 July 2022. We will reach out to you regarding this termination.

When will be the last rebate payment?

The final rebate payment will be for Q2 2022 and will be paid out as per the agreed timeline stated in the rebate agreements.

What will be the updates made to the Product Disclosure Statement due to this change?

It will be in the Fees and Costs section whereby we disclose what the responsible entity charges each of the Funds.

When will the updated Product Disclosure Statements be available?

The updated Product Disclosure Statements will be available on 1 July 2022 and a notification to unitholders will be issued on the same day.

If you have any questions about this change or anything else related to your investments with Capital Group, please feel free to contact your usual Capital Group representative at your convenience.

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