

COMPANY PROFILE

The Capital Group Companies, Inc.

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COMPANY OVERVIEW

The Capital Group Companies, Inc. (Capital Group) offers investment management services. Its product portfolio includes equity, fixed income, balanced investment portfolio, pooled funds, accounts, investment funds, and mutual funds. The company's service offering comprises practice management, trust services, and investment. Capital Group caters to institutions, consultants, financial advisers, intermediaries, individual investors, high net-worth individuals, and wealthy families in North America, Europe, and Asia-Pacific. Capital Group is headquartered in Log Angeles, California, the US.

KEY FACTS

Head Office	The Capital Group Companies, Inc. 53rd Floor 333 South Hope Street Los Angeles California Los Angeles California USA
Phone	1 800 421
Fax	
Web Address	www.thecapitalgroup.com
Revenue / turnover ()	
Financial Year End	
Employees	7,500
Ticker	

SWOT ANALYSIS

The Capital Group Companies, Inc. (Capital Group) is a privately held investment management service provider. Balanced offering portfolio and sound investment management are a few of its key strengths, even as its limited access to low cost capital resources could be an area for improvement. Stiff competition and changing regulation may affect the growth of the company. However, corporate tax cuts and growing wealth management prospects may offer significant growth opportunities for the company.

<p>Strength</p> <p>Offering Portfolio Investment Management</p>	<p>Weakness</p> <p>Access to Low Cost Capital Resources</p>
<p>Opportunity</p> <p>Growing Wealth Management Prospects: The US Corporate Tax Cuts in the US Short-term Economic Outlook: the US</p>	<p>Threat</p> <p>Regulatory Changes: the US Competition</p>

Strength

Offering Portfolio

Capital Group has a wide portfolio of businesses. It provides investment management, portfolio management, mutual funds, accounts, and many other financial products and services through investment professionals, including regional and independent dealers. The business offers an array of global research and investment capabilities for individual and institutional investors. The Capital Group's subsidiaries managed equities through investment divisions that make investment and proxy voting decisions independently. Fixed-income investment provides fixed-income research and investment management across the organization. The company's private equity funds perform individually on behalf of one of equity investment groups.

Investment Management

The Capital Group focus on improving its investment management. As on December 31, 2017 its assets under management improved 21.4% to US\$1.7 trillion, as compared to US\$1.4 trillion in the previous year. It comprises a group of investment management companies, including Capital International, Capital Guardian, Capital Research and Management, Capital Bank and Trust, and American Funds. The group companies manage mutual funds, separately managed accounts and pooled investment funds through its various affiliates and subsidiaries. It has a team of around 7,500 associates in 28 offices throughout Asia, Australia, Europe, and North America. The group also manages assets of global private equity funds.

Weakness

Access to Low Cost Capital Resources

Capital Group could face problems in funding its growth owing to its ownership status. The company is an independent investment management firm and does not have the kind of access to financial resources that public companies have. Publicly held corporations have a greater financial flexibility in funding organic and inorganic initiatives. Public companies besides having better access to capital markets also fund acquisitions through stock transactions. Private ownership restricts financing options available to the company and in long-term may affect its operational capabilities.

Opportunity

Growing Wealth Management Prospects: The US

The growing wealthy population in the US may provide ample growth opportunities to investment management providers. According to in-house research, the population is projected to reach 204.4 million by 2020, including high net worth individuals (HNWIs) to 5.4 million and mass affluent to 199 million. The retail wealth of the population is forecasted to reach US\$51,637.9 billion, including the wealth of HNWIs and mass affluent to US\$19,331.2 billion and US\$32,306.8 billion, respectively. The growth is expected to be driven by increasing retail savings and positive investments in the market on the back of optimistic economic forecast, corporate tax cuts, and focus on alternative investments.

Corporate Tax Cuts in the US

Corporations across the US would benefit from the reduced corporate tax cut bill, which was signed into law in December 2017. Among them, financial services firms are expected to be among the biggest gainers as they pay some of the highest effective tax rates in the country. Banks could benefit from increase in borrowing by businesses. Along with increase in borrowing, higher interest rates will further boost banks' profit margins. Banks with overseas businesses would become more competitive, relative to their international counterparts in countries with lower corporate tax rates. The bill includes provisions related to repatriation of overseas cash, which could boost the US mergers and acquisitions that in turn would spur investment banking. The wealth management firms are also likely to witness substantial growth in their asset under management as the bill reduces tax rates for the wealthy. Most of the corporate America is likely to increase dividends and share buybacks that would further boost the US equity markets, in turn increasing the value of investments held by asset managers.

Short-term Economic Outlook: the US

The company may benefit from the growing economy in the US. Economic growth is likely to enable favorable market conditions in the country. According to the International Monetary Fund, the GDP growth rate of the US is expected to reach 2.5% in 2018. Positive growth in the economy keeps a balance between exports and imports in the country, further bolsters individual consumption and investment, and strengthens government spending. Growing economic activities will increase prices on the face of stimulating demand that is likely to save the US from tipping into deflation.

Threat

Regulatory Changes: the US

Implementation and compliance of regulatory changes could render the company incur additional costs. In April 2016, the United States Department of Labor (DOL) issued the DOL Rule and related exemptions, which broaden the circumstances under which the company may be considered a fiduciary with respect to certain accounts that are subject to the Employee Retirement Income Security Act of 1974 (ERISA), and the prohibited transaction rules of section 4975 of the Code, including many employer-sponsored retirement plans and IRAs. The DOL also finalized certain prohibited transaction exemptions that allow investment advisors to receive compensation for providing investment advice under arrangements that would otherwise be prohibited due to conflicts of interest. The rule may increase the compliance costs for advisors and registered representatives. The advisors are required to act in the best favor of customers and disclose all commissions and fees to be disclosed to clients in terms of US\$. It may eliminate several commissions. All advisors, agents, brokers, and financial planners will be bound to provide clients with a disclosure agreement, called a Best Interest Contract Exemption, in case of any conflict in interest.

Competition

Capital Group operates in a highly competitive investment management sector in the US. It faces competition from domestic and foreign investment management companies, banks, and financial institutions. A few of its competitors include Federated Investors Inc., FMR LLC, Invesco Perpetual, Franklin Resources, Inc., and The Vanguard Group, Inc. It competes based on factors such as market knowledge, fees charged, offering diversity, and fund's performance.

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