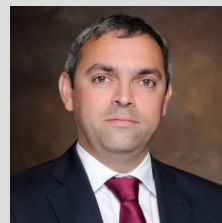


## T. Rowe Price Dynamic Global Bond Fund – I Class

As of 30 September 2022



**Portfolio Manager:**

Arif Husain

**Joined Firm:**

2013

**Investment Experience:**

27 Years



Morningstar Analyst Rating™:  
As of 31/03/2022



### INVESTMENT OBJECTIVE

The Fund's objective is to maximise total return and provide income through investment primarily in a portfolio of fixed income securities which may include, but is not limited to, transferable debt securities of government and their agencies, supranational organisations, corporations and banks as well as mortgage-backed and asset-backed securities. There are no restrictions on the sectors or countries in which bond issuers are located.

### SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	76.43
Corporate (including High Yield)	10.81
Securitized	3.63
Equity	0.73
Cash & Cash Equivalents	8.40

### TOP 10 ISSUE EXPOSURE<sup>1</sup>

	Maturity Date	% of Fund
United Kingdom Inflation-Linked Gilt	22-Mar-2024	8.5
Deutsche Bundesrepublik Inflation Linked Bond	15-Apr-2026	8.2
U.S. Treasury Notes	31-Jan-2023	7.6
U.S. Treasury Notes	30-Jun-2023	6.4
U.S. Treasury Inflation Indexed Bonds	15-Jan-2023	3.9
Philippine Government International Bond	26-Nov-2022	3.7
U.S. Treasury Bonds	15-Nov-2022	3.4
Brazil Notas do Tesouro Nacional Serie F	1-Jan-2027	2.9
U.S. Treasury Inflation Indexed Bonds	15-Apr-2023	2.8
Israel Government Bond - Fixed	31-Mar-2047	2.5

### PORTFOLIO CHARACTERISTICS<sup>1,2,3</sup>

	Fund
Number of Holdings	109
Number of Countries	36
Weighted Average Maturity	5.64 Years
Weighted Average Effective Duration	3.89 Years
Weighted Average Spread Duration	-1.10 Years
Average Credit Quality	A+
Yield to Maturity (including hedging)	4.0%

### PERFORMANCE

	One Month	Three Months	Year-to-date	One Year	Three Years	Five Years	Since Fund Inception
T. Rowe Price Dynamic Global Bond Fund – I Class (Gross – AUD)*	1.63%	1.84%	7.31%	5.93%	5.97%	3.59%	4.31%
T. Rowe Price Dynamic Global Bond Fund – I Class (Net – AUD)**	1.60	1.74	6.99	5.51	5.55	3.17	3.87
Bloomberg AusBond Bank Bill Index (AUD)	0.15	0.42	0.51	0.52	0.38	0.95	1.48
Value Added (Gross) <sup>4</sup>	1.48	1.42	6.80	5.41	5.59	2.64	2.83
Value Added (Net) <sup>5</sup>	1.45	1.32	6.48	4.99	5.17	2.22	2.39

### Past performance is not a reliable indicator of future performance.

Source for performance: T. Rowe Price.

\* Gross-of-fees performance is the net return with fees and expenses added back.

\*\* Net-of-fees performance is based on end-of-month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions.

Figures include changes in principal value. Investment return and principal value will vary, and an account may be worth more or less at termination than at inception. For further details, please refer to the fund's product disclosure statement and reference guide which are available from Equity Trustees or TRPAU.

<sup>1</sup> Issuer exposure is derived using the portfolio's direct holdings and does not take into account derivative exposure. Consult the portfolio holdings report for a listing of all securities owned in the portfolio.

<sup>2</sup> Calculated using the portfolio's direct holdings plus exposure from derivative instruments.

<sup>3</sup> Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

<sup>4</sup> The Value Added is shown as the Fund (Gross) minus its Index.

<sup>5</sup> The Value Added is shown as the Fund (Net) minus its Index.

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. The views and portfolio holdings contained herein are as of date noted on the material and are subject to change without further notice. The specific securities identified and described do not necessarily represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.

**BLOCK BOND ALLOCATION (ISSUE CURRENCY)<sup>1</sup>**

	% of Fund
Europe	29.1%
North America	39.4
Latin America	6.9
Pacific Ex Japan	12.1
Japan	0.0
Middle East & Africa	6.5
Reserves	5.9

**FUND REVIEW**

The portfolio's overall duration was dynamically managed and ended the period above three years. This was driven mainly by moving to a long bias in the U.S. in late September as we felt the rise in Treasury yields had potentially hit a near-term peak.

Similarly, in the eurozone, we moved to an overall positive bias late in the period after adding back exposure to Germany as we felt the steep rise in bund yields offered a potential attractive entry point.

In the UK, we held a short duration stance throughout, although the size varied as we responded to the developments in markets. Broadly, we expect gilts to remain under pressure due to supply concerns from a deteriorating fiscal outlook.

Among other high-quality countries, we moved to a modest short position in China and closed a long duration stance in Hong Kong. Long duration allocations in Australia, Israel, South Korea, Thailand, and Sweden were kept broadly stable.

We held exposures to inflation-linked bonds and swaps, particularly in the eurozone and Germany, on anticipation that gas supply issues will likely keep price pressures elevated in the region.

In emerging market bonds, long positions were maintained in the local currency government bond markets of Brazil, Chile, Mexico, Hungary, Romania, Serbia, South Africa, and India.

With regards to currency, our long position in the U.S. dollar was trimmed as we added a new long exposure in the Japanese yen. Elsewhere, we opened a new negative bias in the British pound and reduced the short euro position. Broadly, we remain concerned about the risk environment, and although the U.S. dollar remains expensive on a valuation basis, the currency's appeal during times of market stress remains intact, in our view.

Within sectors, we remain cautious on the outlook for credit as the slowdown in economic growth could weigh on fundamentals. Accordingly, at the end of September we held defensive credit hedges in the portfolio with short positions expressed via synthetic credit instruments in U.S. investment-grade, U.S. high yield, and European high yield.

Throughout, we continued to isolate credit selection from market beta as a potential source of alpha.

**PORTFOLIO PERFORMANCE**

Developed government bond markets extended a sell-off in September as central banks stepped up their monetary policy tightening plans to fight broadening inflationary pressures.

Within duration management, our short duration stances in the U.S., UK, Italy, Germany, and France added gains as they benefited from the move higher in most sovereign bond yields. Other contributors included our short exposure to U.S. inflation breakevens and a long duration stance in local currency Brazilian government bonds, while allocations to German and UK inflation-linked bonds detracted.

In currency markets, short positions in the Israeli shekel, New Zealand dollar, South Korean won, and Taiwanese dollar contributed positively, while long exposures in the Canadian dollar and the Hungarian forint detracted.

**CREDIT QUALITY DIVERSIFICATION<sup>2</sup>**

	% of Fund
AAA	41.4
AA	8.7
A	8.6
BBB	18.3
BB	10.8
B	1.5
C	0.0
CCC or below	0.1
Default	0.6
Not Rated	4.1
Cash	5.9

**DISTRIBUTION INFORMATION**

	31 Dec 2021	31 Mar 2022	30 Jun 2022	30 Sep 2022
Distribution Rate (cents per unit AUD)	0.15	0.16	3.77	0.16

Within sectors, the portfolio's exposures to U.S. investment-grade and high yield corporate bonds detracted from returns along with U.S. securitized debt exposures. However, our defensive equity hedging positions contributed positively.

**OUTLOOK**

Major central banks extended their aggressive rate hike campaigns with the European Central Bank and the Fed each raising interest rates by 75 basis points\* in the month. As government bond yields climbed globally, risk markets declined amid heightened volatility, particularly when the UK government's tax cut plans caused a large gilt selloff that reverberated across markets. The developments led to the Bank of England launching an emergency bond-buying program to help stem the crisis. This calmed some nerves and helped bond yields retreat slightly from their highs late in the period. Overall, the conditions were challenging, but we were able to navigate with the portfolio delivering a positive return over the month.

A key development over the period was our decision to add duration back into the portfolio. This was driven by our expectation that at these elevated yield levels, bonds could potentially reassert themselves as an effective diversifier to risk markets, particularly if geopolitical concerns pick up. Furthermore, we feel that the market narrative is moving away from inflation over the medium term as central banks have laid out their tightening paths, which has largely been reflected in the inflation market. Over the longer-term horizon, we expect growth to become increasingly challenged as governments and central banks attempt to balance the demands for fiscal support and the unwinding of large debt stocks. Some countries will handle it better than others, which will open up potential opportunities, in our view. Against this backdrop, we believe that flexibility around duration management remains key, and we have the ability to implement both long and short duration postures.

Overall, we expect volatility to continue with markets grappling with several different forces all at the same time, including geopolitical risks, slowing growth, high inflation, and a tightening of financial conditions. Against this backdrop, we remain concerned about the outlook for risk markets and continue to hold a number of defensive hedges, particularly in credit markets. In this climate, we believe that it's important to be tactical and keep a liquid profile in the portfolio. This should help give us flexibility to adapt to changes in market conditions and take advantage of any pricing anomalies and dislocations that might occur.

\*A basis point is 0.01 percentage points.

<sup>1</sup> Issuer exposure is derived using the portfolio's direct holdings and does not take into account derivative exposure. Consult the portfolio holding report for a listing of all securities owned in the portfolio.

<sup>2</sup> Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

**CONTACT US**

For more information about the Fund, please contact our Relationship Management team on 02 8667 5700 or visit [www.troweprice.com](http://www.troweprice.com)

**FUND INFORMATION**

APIR	ETL0398AU
Inception Date	18 February 2014
Benchmark	Bloomberg AusBond Bank Bill Index (AUD)
Management Fees and Costs <sup>^</sup>	0.40% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.20% / Sell -0.20%
Total Assets	\$691,504,602 AUD

<sup>^</sup>The Management Fee for the T. Rowe Price Dynamic Global Bond Fund is 0.40% p.a. and the Indirect Cost is 0.00% p.a. Full details of other fees and charges are available within the Fund's Product Disclosure Statement and Reference Guide.

**ADDITIONAL DISCLOSURES**

Unless indicated otherwise the source of all data is T. Rowe Price.

Weighted Average Maturity is an average of the maturities of the underlying bonds, with each bond's maturity weighted by the percentage of fund assets it represents. Weighted Average Effective Duration is a calculation that seeks to measure the price sensitivity of a bond fund to changes in interest rates. In general, the longer the average maturity or duration, the greater the fund's sensitivity to interest rates. Duration is a better indicator of price sensitivity because it takes into account the time value of cash flows.

T. Rowe Price uses a custom structure for sector and industry reporting for this product.

Credit ratings for the securities held in the fund are provided by Moody's, Standard & Poor's and Fitch and are converted to the Standard & Poor's nomenclature. A rating of "AAA" represents the highest-rated securities, and a rating of "D" represents the lowest-rated securities. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated (NR). T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps and sovereign securities. The fund is not rated by any agency.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, all data is as of the report production date.

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A Target Market Determination for each T. Rowe Price Australian Unit Trust (or class of units in a Trust) is available here ([www.eqt.com.au/insto](http://www.eqt.com.au/insto) [[eqt.com.au](http://eqt.com.au)]). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who the financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where Equity Trustees Limited, the responsible entity of the T. Rowe Price Australian Unit Trusts may need to review the Target Market Determination for the financial product.

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