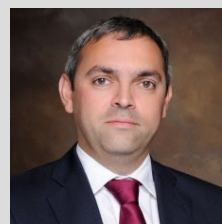


## T. Rowe Price Dynamic Global Bond Fund – S Class

As of 31 October 2022



**Portfolio Manager:**

Arif Husain

**Joined Firm:**

2013

**Investment Experience:**

27 Years

### 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.

TOP 10 ISSUE EXPOSURE <sup>1</sup>	Maturity Date	% of Fund
Australia Government Bond	21-Apr-2027	2.5
Bonos de la Tesoreria de la Republica en pesos	1-Mar-2026	2.4
Brazil Notas do Tesouro Nacional Serie F	1-Jan-2027	4.8
Deutsche Bundesrepublik Inflation Linked Bond	15-Apr-2026	7.6
Israel Government Bond - Fixed	31-Mar-2047	2.8
Philippine Government International Bond	26-Nov-2022	3.8
United Kingdom Inflation-Linked Gilt	22-Mar-2024	15.3
U.S. Treasury Inflation Indexed Bonds	15-Apr-2023	2.9
U.S. Treasury Inflation Indexed Bonds	15-Jan-2023	4.0
U.S. Treasury Notes	30-Jun-2023	2.9

### PERFORMANCE

	One Month	Three Months	Six Months	Year-to-date	One Year	Annualised	
						Three Years	Since Share Class Inception
T. Rowe Price Dynamic Global Bond Fund – S Class (Net – AUD) <sup>*</sup>	-2.65%	1.36%	-0.53%	4.06%	3.97%	4.48%	3.11%
Bloomberg AusBond Bank Bill Index (AUD)	0.24	0.54	0.75	0.75	0.76	0.43	0.66
Value Added (Net) <sup>4</sup>	-2.89	0.82	-1.28	3.31	3.21	4.05	2.45

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

Source for performance: T. Rowe Price.

<sup>\*</sup>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 (Net) minus its Index.

### SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	73.70
Corporate (including High Yield)	14.06
Securitized	3.58
Equity	0.20
Cash & Cash Equivalents	8.47

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

	Fund
Number of Holdings	120
Number of Countries	37
Weighted Average Maturity	6.19 Years
Weighted Average Effective Duration	3.02 Years
Weighted Average Spread Duration	-0.92 Years
Average Credit Quality	A
Yield to Maturity (including hedging)	3.6%

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	36.7
North America	26.9
Latin America	9.1
Pacific Ex Japan	12.9
Japan	0.0
Middle East & Africa	7.1
Reserves	7.3

**FUND REVIEW**

The portfolio's overall duration ended the period below three years. In terms of the U.S., we dynamically managed our duration exposure to end October broadly around neutral.

Within the eurozone, we also moved to a broadly balanced position with a long stance in Germany mostly offset by a short posture in Italy.

In the UK, we increased our short duration position. Broadly, we expect gilts to remain under pressure due to supply concerns from a deteriorating fiscal outlook.

Among other high-quality countries, we held short duration positions in China and Canada. By contrast, long duration allocations were kept in Australia, Israel, South Korea, Sweden, and New Zealand.

We held exposures to inflation-linked bonds and swaps, particularly in the eurozone and Germany, on anticipation that energy 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 dynamically managed during October as we initially increased before reducing again. Among the key moves, we closed short positions in the Brazilian real and Mexican peso. We also closed a long exposure in the Hungarian forint and initiated a new short position in the Polish zloty.

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

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

**PORTFOLIO PERFORMANCE**

Developed government bond markets endured a volatile October. For much of the period, bond yields rose as central banks broadly retained their hawkish stances to fight inflationary pressures. Then in late October, hopes the pace of rate increases may slow helped bond yields retreat from their multi-year highs, although they still ended the period broadly higher.

Within duration management, our short duration stance in the UK had a negative impact on performance with gilt yields declining broadly as political concerns eased. Long duration stances in the U.S. and Germany also detracted as yields in these markets ended the period higher, particularly at the short end. However, allocations to UK and German inflation-linked debt added gains, alongside exposures to European inflation breakevens and a long duration stance to New Zealand.

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

	% of Fund
AAA	28.1
AA	15.5
A	10.5
BBB	21.0
BB	13.0
B	1.5
C	0.0
CCC or below	0.0
Default	0.6
Not Rated	2.4
Cash	7.3

In currency markets, short positions in the British pound, Polish zloty, and New Zealand dollar weighed on performance. A long position on the Japanese yen also detracted over the period. Partially offsetting these losses were gains from a defensive short position in the Taiwanese dollar.

Within sectors, the portfolio's short exposures via credit derivatives in U.S. and European high yield detracted notably as spreads tightened. Put options on U.S. equities also detracted.

**OUTLOOK**

Bond market volatility was elevated during October. For much of the period, sovereign bond yields rose as inflationary pressures remained broadly elevated. Then late in the period, Canada's central bank delivered a smaller-than-expected rate rise. While the European Central Bank hiked 75 basis points\*, it noted that it had made "substantial progress" in terms of removing monetary policy accommodation. The developments raised hopes that central banks might slowdown the pace of their monetary policy tightening cycles, which led to a late-period bond rally. The perceived dovish pivot, together with the easing of UK political concerns, was supportive for risk markets, with equity markets ending the period higher, while credit spreads tightened. This resulted in losses for our defensive risk hedges, which challenged portfolio performance. While disappointing, we believe that the moves in October were a bear market bounce and not a signal of a turn in the cycle for risk markets given the challenging backdrop of slowing growth, elevated inflation, and the ongoing tightening of financial conditions.

Central banks have emphasized they haven't finished raising interest rates yet even though rates may rise at a slower pace. The Federal Reserve has signalled that it is premature to start talking about an interest rate pause as policymakers remain firmly focused on bringing inflation down. That is likely to maintain upward pressure on bond yields. More broadly, we are seeing greater dispersion in the global monetary policy cycle as central banks move at varying speeds in response to inflation. We believe this backdrop of greater dispersion is a conducive environment for us, as 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. 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 holdings 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.

**FUND INFORMATION**

Minimum Investment Amount	\$50,000 AUD
APIR	ETL2511AU
ARSN	167 869 561
ISIN	AU60ETL25110
Inception Date	22 January 2019
Benchmark	Bloomberg AusBond Bank Bill Index (AUD)
Management Fees and Costs <sup>^</sup>	0.59% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.20% / Sell -0.20%

<sup>^</sup>The Management Fee for the T. Rowe Price Dynamic Global Bond Fund is 0.59% 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]). 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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