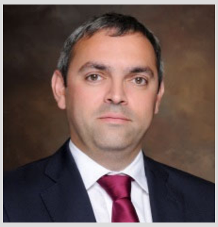
T.RowePrice®

INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Dynamic Global Bond Fund – S Class

As of 31 December 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[1]

	Maturity Date	% of Fund
United Kingdom Inflation-Linked Gilt	22-Mar-2024	15.2
U.S. Treasury Notes	30-Jun-2023	8.2
Deutsche Bundesrepublik Inflation Linked Bond	15-Apr-2026	5.9
Brazil Notas do Tesouro Nacional Serie F	1-Jan-2027	4.7
U.S. Treasury Notes	30-Nov-2027	4.5
Mexican Bonos	3-Jun-2027	3.9
Japan Government Thirty Year Bond	20-Sep-2052	2.9
Israel Government Bond - Fixed	31-Mar-2047	2.5
Republic of South Africa Government Bond	21-Dec-2026	2.2
New Zealand Government Bond	15-May-2051	2.0

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	72.90
Corporate (including High Yield)	13.53
Securitized	2.94
Equity	0.20
Cash & Cash Equivalents	10.44

PORTFOLIO CHARACTERISTICS[1,2,3]

	Fund
Number of Holdings	106
Number of Countries	36
Weighted Average Maturity	6.32 Years
Weighted Average Effective Duration	0.70 Years
Weighted Average Spread Duration	-1.37 Years
Average Credit Quality	A
Yield to Maturity (including hedging)	1.5%

PERFORMANCE

						Annualised	
	One Month	Three Months	Six Months	Year-to-date	One Year	Three Years	Since Share Class Inception
T. Rowe Price Dynamic Global Bond Fund – S Class (Net – AUD)*	0.53%	-2.87%	-1.17%	3.83%	3.83%	3.88%	2.92%
Bloomberg AusBond Bank Bill Index (AUD)	0.25	0.74	1.17	1.25	1.25	0.55	0.76
Value Added (Net)[4]	0.28	-3.61	-2.34	2.58	2.58	3.33	2.16

Past performance is not a reliable indicator of future performance.

Source for performance: T. Rowe Price.

*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.

[1]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.

[2]Calculated using the portfolio's direct holdings plus exposure from derivative instruments.

[3]Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

[4]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)[1]

	% of Fund
Europe	32.9
North America	27.7
Latin America	14.6
Pacific Ex Japan	6.7
Japan	2.9
Middle East & Africa	6.7
Reserves	8.5

CREDIT QUALITY DIVERSIFICATION[2]

	% of Fund
AAA	21.9
AA	16.5
A	12.0
BBB	23.0
BB	13.4
B	0.9
C	0.1
CCC or below	0.1
Default	0.7
Not Rated	3.0
Cash	8.5

FUND REVIEW

The portfolio's overall duration ended the period at approximately one year. In terms of the U.S., we dynamically managed our duration exposure to end December broadly around neutral.

Within the eurozone, we increased our short duration posture. We removed a long duration position in Germany and maintained our short posture in Italy on expectations of more policy tightening.

In the UK, our short duration position was maintained as we expect the challenging backdrop of high inflation, a tight labour market, and increased fiscal issuance to put gilts under pressure.

Elsewhere, we held a short duration position in China and moved to a neutral duration bias in Japan. Long duration allocations were kept broadly in Israel, South Korea and New Zealand, while long exposures in Australia and Sweden were closed.

We held exposures to inflation-linked bonds and swaps in the eurozone where, despite headline inflation falling on easing energy prices, the single bloc continues to endure sticky core inflationary pressures. However, we trimmed our exposures to German inflation-linked bonds.

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

In currencies, our long U.S. dollar position was trimmed. Among key moves, we closed our short positions in the euro due to increased hawkishness from the ECB. We also maintained our long exposure in the Japanese yen.

Within sectors, we remain cautious on the credit outlook as weakening economic growth and rising interest rates could weigh on fundamentals. Accordingly, at the end of December, we held defensive credit hedges in the portfolio with short positions expressed via synthetic credit instruments in U.S. investment grade and high yield. We increased our defensive positions via synthetic credit instruments in European high yield.

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

PORTFOLIO PERFORMANCE

Government bond markets sold off in December driven by hawkish central bank rhetoric, interest rate hikes, and an unexpected decision by the Bank of Japan (BoJ) to loosen its yield curve policy.

Within duration management, our short duration stances in the UK, Italy, Canada and Germany all had a positive impact on performance as bond yields rose broadly. Our curve flattening bias in Japan also added gains following the BoJ's surprise decision. However, our U.S. duration positioning weighed on returns, particularly in the second half of the month when we expressed a long position, which came under pressure from the rise in yields. Allocations to German inflation-linked bonds and Hungarian local currency government bonds also detracted.

In currency markets, a long position in the Japanese yen contributed positively while short positions in the South Korean won, New Zealand dollar and Polish zloty detracted.

Within sectors, the portfolio's exposures to U.S. high yield corporate bonds added gains over the period. Our defensive hedging positions expressed in credit markets also supported performance, while put options on U.S. equities detracted from performance.

OUTLOOK

Major central banks extended their hawkish policy stances during December despite more signs of cooling inflation and weaker growth. Both the U.S. Federal Reserve and the European Central Bank (ECB) raised interest rates by 50 basis points* in the month. Contrary to some expectations that the Fed would signal a retreat from its tightening campaign, Chairman Jerome Powell emphasized that the job was far from done, saying "we have a long way to go to get back to price stability." ECB rhetoric was also surprisingly hawkish prompting European government bonds to lead a broad selloff in global bond markets. The Bank of Japan surprised markets with its decision to loosen its yield curve control policy. Risk markets struggled in the face of rising rates and increased signs of a slowing global economy.

We have turned more neutral on duration. While central banks continue to hike, we are getting closer to the end of tightening cycles with potential for the Fed to finish raising rates in the first half of 2023. At the same time, the prospect of the Fed moving to cutting rates later this year, as currently priced by markets, is unlikely given the employment dynamics. Broadly, we are seeing greater dispersion in the global monetary policy cycle and believe this is a conducive environment for us, as we have the ability to be flexible and 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.

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[2] Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

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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^	0.59% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.20% / Sell -0.20%

^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.

IMPORTANT INFORMATION

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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 [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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