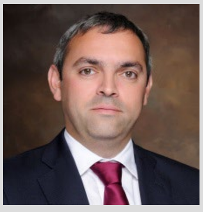
T. Rowe Price®

INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Dynamic Global Bond Fund – S Class

As of 31 January 2023



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	15.0
Deutsche Bundesrepublik Inflation Linked Bond	15-Apr-2026	5.9
Brazil Notas do Tesouro Nacional Serie F	1-Jan-2027	4.6
Mexican Bonos	3-Jun-2027	4.0
Republic of South Africa Government Bond	21-Dec-2026	3.8
Japan Government Thirty Year Bond	20-Sep-2052	3.1
Israel Government Bond - Fixed	31-Mar-2047	2.5
Mexican Bonos	31-May-2029	2.1
U.S. Treasury Bonds	15-Nov-2052	2.1
New Zealand Government Bond	15-May-2051	2.1

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	68.39
Corporate (including High Yield)	12.60
Securitized	4.07
Equity	0.11
Cash & Cash Equivalents	14.83

PORTFOLIO CHARACTERISTICS[1,2,3]

	Fund
Number of Holdings	106
Number of Countries	36
Weighted Average Maturity	7.19 Years
Weighted Average Effective Duration	-0.11 Years
Weighted Average Spread Duration	-0.94 Years
Average Credit Quality	A-
Yield to Maturity (including hedging)	1.7%

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) *	-1.62%	-1.84%	-0.50%	-1.62%	1.18%	3.86%	2.44%
Bloomberg AusBond Bank Bill Index (AUD)	0.27	0.77	1.31	0.27	1.52	0.61	0.81
Value Added (Net)[4]	-1.89	-2.61	-1.81	-1.89	-0.34	3.25	1.63

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.

BLOCK BOND ALLOCATION (ISSUE CURRENCY)[1]

	% of Fund
Europe	32.7
North America	22.2
Latin America	17.0
Pacific Ex Japan	8.1
Japan	3.1
Middle East & Africa	8.4
Reserves	8.5

CREDIT QUALITY DIVERSIFICATION[2]

	% of Fund
AAA	14.0
AA	16.4
A	11.9
BBB	28.6
BB	17.0
B	1.0
C	0.2
CCC or below	0.0
Default	0.7
Not Rated	1.8
Cash	8.5

FUND REVIEW

The portfolio's overall duration ended the period broadly neutral. This was driven in part by moving to a short duration position in the U.S. due to a strong labor market and improving external demand.

Within the eurozone, we increased our short duration posture as we opened a short duration position in Germany. This complemented our existing short posture in Italy on expectations of more policy tightening from the European Central Bank.

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

Among other countries, we opened a long duration position in Australia. Elsewhere, we maintained short duration stances in Canada and China and long duration allocations in Israel, South Korea, and New Zealand.

We held exposures to inflation-linked bonds and swaps in the eurozone where core inflationary pressures are likely to remain sticky, in our view.

In emerging market bonds, long positions were maintained in local currency government bond markets of Romania, Serbia, India, and the Czech Republic. In terms of moves, we reduced a long position in Hungary and broadly closed a long position in Chile. By contrast, we added to long positions in Brazil, Mexico, and South Africa.

In currencies, our long U.S. dollar position was dynamically managed as we initially increased exposure before trimming again. Among key moves, we added a new long position in the euro due to increased hawkishness from the ECB. We also opened a long position in the Brazilian real and closed a short position in the Australian dollar. Elsewhere, we opened short positions in the Mexican peso and the Norwegian krone and added to our short positions in the British pound, Israeli shekel, the South Korean won, and the Swedish krona.

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 January, we held defensive credit hedges in the portfolio with short positions expressed via synthetic credit instruments in U.S. and European high yield. However, we reduced 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 with short-dated investment grade credit attractive from a risk-adjusted yield basis.

PORTFOLIO PERFORMANCE

Government bond markets rebounded in January as slowing inflation and growth data raised expectations that major central banks were nearing the end of their aggressive monetary policy tightening campaigns. Within duration management, short duration stances in Italy, the UK, the U.S., Japan, and Canada had a notable negative impact on performance as bond yields fell widely in the first half of the month as inflation and growth concerns moderated. An allocation to UK inflation-linked bonds also detracted, as did a long exposure in local Brazil government bonds, which were weighed down by political concerns. However, our allocations to South Korean, Hungarian, South African, and Mexican local currency government debt supported performance.

In currency markets, the U.S. dollar weakened broadly on growing expectations of an impending Fed policy pause and a rebound in global risk sentiment. Strong inflation data boosted the Australian dollar while the euro benefited from a hawkish ECB and optimism around China's reopening. The developments resulted in losses for our short positions in the Mexican peso and British pound.

Within sectors, defensive hedging positions expressed via credit derivatives in U.S. and European high yield detracted as risk appetite rebounded. Put options in U.S. equities also detracted. However, long exposures in select U.S. investment-grade corporate bonds contributed positively to performance.

OUTLOOK

While we recognize that interest rates are nearing a peak, the prospect of central banks switching so quickly from hiking to easing is unlikely and inconsistent with the current employment dynamics. Furthermore, strong wage growth and a recovering economy is likely indicative of sticky inflationary pressures. We are also mindful that major central banks are shrinking their balance sheets by reducing their holdings of government debt. Against this backdrop, we see potential for bond yields to rise. This motivated us to reduce duration in the portfolio during the period. More broadly, we are seeing greater dispersion in the global monetary policy cycle as central banks move at varying speeds towards the end of their respective tightening campaigns. We believe this backdrop is a conducive environment for us, as we have the ability to implement both long and short duration postures.

In the currency sphere, our positive bias in the U.S. dollar remained broadly in place during January. With markets overpricing a dovish tilt from the Federal Reserve, the dollar could gain, in our view. Moreover, with the global economy facing significant headwinds, the U.S. dollar could grow in appeal. In credit markets, we anticipate volatility as the asset class remains underpriced for the prospect of quantitative tightening from major central banks. In addition, credit spreads are priced for a "goldilocks" scenario of declining inflation and steadying growth although, we believe there are too many risks to that view.

Overall, we expect volatility to continue, although it could ease from the highs of last year if inflation cools. At present, markets grapple with a number of different issues including geopolitical risks, slowing growth, sticky inflation, and potential policy errors. 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.

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[2] 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^	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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