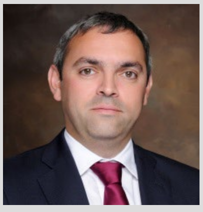
T.RowePrice®

INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Dynamic Global Bond Fund – S Class

As of 28 February 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	4.1
U.S. Treasury Notes	30-Jun-2023	4.1
Republic of South Africa Government Bond	21-Dec-2026	3.7
Japan Government Thirty Year Bond	20-Sep-2052	3.2
Canadian Government Bond	1-Dec-2032	2.9
Israel Government Bond - Fixed	31-Mar-2047	2.2
Mexican Bonos	31-May-2029	2.2

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	73.15
Corporate (including High Yield)	9.58
Securitized	4.10
Equity	0.04
Cash & Cash Equivalents	13.13

PORTFOLIO CHARACTERISTICS[1,2,3]

	Fund
Number of Holdings	104
Number of Countries	35
Weighted Average Maturity	7.31 Years
Weighted Average Effective Duration	-0.65 Years
Weighted Average Spread Duration	-0.36 Years
Average Credit Quality	A
Yield to Maturity (including hedging)	2.3%

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) *	1.19%	0.09%	-1.78%	-0.45%	1.74%	3.57%	2.69%
Bloomberg AusBond Bank Bill Index (AUD)	0.24	0.76	1.40	0.51	1.76	0.66	0.86
Value Added (Net)[4]	0.95	-0.67	-3.18	-0.96	-0.02	2.91	1.83

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	31.6
North America	24.5
Latin America	17.0
Pacific Ex Japan	8.3
Japan	3.2
Middle East & Africa	7.8
Reserves	7.7

CREDIT QUALITY DIVERSIFICATION[2]

	% of Fund
AAA	19.8
AA	16.4
A	9.6
BBB	25.5
BB	16.8
B	0.7
C	0.2
CCC or below	0.0
Default	0.7
Not Rated	2.8
Cash	7.7

FUND REVIEW

The portfolio's overall duration ended the period in negative territory. This was driven in part by adding to a short duration position in the U.S. due to a strong labor market and still-high inflation data.

Within the eurozone, we broadly maintained our overall short duration posture as we kept short duration positions in Germany and Italy on expectations of more ECB policy tightening.

In the UK, our short duration position was maintained as we see the challenging backdrop of high inflation, and increased gilt issuance driving yields higher.

Among other countries, we trimmed a long duration position in Australia. Elsewhere we opened a new Japan long adding exposure in the long end of the curve. We also added to our long duration position in New Zealand and switched to a long duration stance in Canada. Elsewhere, we maintained long duration allocations in Israel and South Korea throughout. By contrast, we held to a short duration stance in China.

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

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

In currencies, our long U.S. dollar position was reduced as we pivoted toward implementing relative value positions. Among key moves, we moved to a short position in the euro and removed a short position in the Swedish krona. We opened a long position in the Australian dollar while we maintained a short position in the New Zealand dollar. Elsewhere, we added to our short position in the British pound.

Within sectors, we remain cautious on the credit outlook, with the Fed still needing to tighten further amid persistent inflationary forces. Accordingly, at the end of February, 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 removed 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 sold off in February as strong economic data led to a repricing of monetary policy tightening expectations. Within duration management, short duration stances in the U.S., Germany, the UK, Italy, and Canada had a notable positive impact on performance as bond yields rose widely on expectations that central banks would keep interest rates higher for longer to tame inflation. Exposures to European and U.S. inflation breakevens also supported performance. A long Japanese duration stance in the long end of the curve helped performance as the yield curve flattened before the fiscal year-end. However, our allocations to Mexican, Israeli, South Korean, New Zealand and Hungarian local currency government debt detracted amid the broad rise in sovereign bond yields.

In currency markets, the U.S. dollar strengthened across the board on strong data and a realization that inflation was not slowing as quickly as was hoped. The developments resulted in gains for our short positions in the Israeli shekel, New Zealand dollar, South African rand, and the Taiwanese dollar. However, our long positions in the Japanese yen, Australian dollar and the euro detracted amid broad-based U.S. dollar strength.

Within sectors, our long exposures in select U.S. investment-grade and high yield bonds weighed on performance as spreads widened. Put options on U.S. equities also detracted. However, defensive hedging positions expressed via credit derivatives in U.S. high yield supported performance.

OUTLOOK

We believe that central banks will have to maintain their hawkish focus as the war on inflation hasn't been won yet. The latest data confirms interest rates will have to remain at elevated levels for longer as inflationary pressures remain stubborn. Broadly, we believe that bond markets are underestimating the likelihood of higher terminal interest rates. However, the bar is high for the Federal Reserve to quicken the pace of policy tightening and is likely to depend on the strength of incoming economic data. Against this backdrop, we see potential for bond yields to rise further, which motivated us to remain bearish on duration during the period.

In the currency sphere, we reduced the size of our long U.S. dollar bias and pivoted toward implementing relative value trades, including but not limited to some European and commodity-linked currencies. However, we maintained a long bias on expectations for the risk environment to deteriorate, which could support the dollar. In credit markets, while the possibility of higher terminal rates could push credit spreads wider, we recognize that strong corporate balance could continue to be supportive or the asset class. Against this backdrop, we have changed the convexity profile of some of our credit hedges. This included implementing new defensive credit derivative structures that should benefit during periods of extreme risk aversion.

Overall, we expect volatility to continue as markets grapple with several different issues all at the same time, including geopolitical risks, slowing growth, sticky inflation, and the potential for policy errors. Markets are also likely to keenly watch the progression of quantitative tightening cycles by major central banks with the ECB set to begin reducing its bond holdings from March. 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