T.RowePrice®

INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Dynamic Global Bond Fund – S Class

As of 31 May 2023

Portfolio Management Team^:	Managed Fund Since:	Joined Firm:
Arif Husain	2015	2013
Quentin Fitzsimmons	2023	2015
Scott Solomon	2023	2005

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	9.7
Mexican Bonos	3-Jun-2027	9.3
Deutsche Bundesrepublik Inflation Linked Bond	15-Apr-2026	6.3
Brazil Notas do Tesouro Nacional Serie F	1-Jan-2027	5.4
Canadian Government Bond	1-Dec-2032	3.1
Colombian TES	9-Feb-2033	2.8
Mexican Bonos	31-May-2029	2.4
Mexican Bonos	5-Mar-2026	2.3
Israel Government Bond - Fixed	31-Mar-2047	2.3
New Zealand Government Bond	15-May-2051	2.2

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	78.06
Corporate (including High Yield)	10.62
Securitized	4.04
Equity	0.30
Cash & Cash Equivalents	6.98

PORTFOLIO CHARACTERISTICS[1,2,3]

	Fund
Number of Holdings	122
Number of Countries	43
Weighted Average Maturity	7.65 Years
Weighted Average Effective Duration	4.47 Years
Weighted Average Spread Duration	-1.32 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) *	-1.80%	-1.60%	-1.51%	-2.04%	-1.91%	1.43%	2.15%
Bloomberg AusBond Bank Bill Index (AUD)	0.29	0.89	1.65	1.40	2.64	0.91	1.01
Value Added (Net)[4]	-2.09	-2.49	-3.16	-3.44	-4.55	0.52	1.14

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.

^Effective 31 March 2023, Scott Solomon and Quentin Fitzsimmons assumed portfolio co-management responsibility for the fund.

BLOCK BOND ALLOCATION (ISSUE CURRENCY)[1]

	% of Fund
Europe	30.0
North America	17.6
Latin America	29.9
Pacific Ex Japan	10.1
Japan	-0.1
Middle East & Africa	5.7
Reserves	6.8

FUND REVIEW

The portfolio's overall duration ended the period long duration with exposures, mainly driven by moving to a long duration position in the U.S. as the Federal Reserve nears the end of its monetary tightening campaign.

In the eurozone, we trimmed our short duration stance by reducing our short duration in the long end of the German bund curve as headline inflation slowed in May. We opened a short duration stance in France and maintained our long duration position in Italy.

In the UK, we moved to a short duration stance by introducing a curve steepening bias as inflationary pressures remain persistent in the backdrop of an upcoming heavy issuance calendar.

Among other high-quality countries, we maintained our long duration positions in Australia, New Zealand, and Canada.

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

In emerging market bonds, we reduced our long duration position in South African local currency bonds due to geopolitical concerns and a hawkish central bank. We introduced a long duration position in Chile as President Gabriel Boric was dealt a significant setback to his progressive reform agenda. We also added to a long duration position in Colombia and introduced a short duration position in Poland. Elsewhere, long positions were maintained in the local currency government bond markets of Brazil, Romania, Serbia, India, Philippines, Hungary, and Malaysia.

In currencies, we shifted to a tactical long on the U.S. dollar given a combination of positive short-term data flow as well as positioning and technical dynamics. We continue to believe, however, in the U.S. dollar regime change and hold a bearish view on the currency in the medium term. Among key moves, we shifted to a negative bias on the euro. Elsewhere, we closed long positions in the Brazilian real, Mexican peso and the Hungarian forint. We also opened a short Chinese yuan stance as economic data deteriorated and shifted to a short position in the South African rand.

Within sectors, we remain cautious on the credit outlook as likely weakening economic growth and tightening liquidity conditions, especially in the U.S., could weigh on fundamentals. Accordingly, at the end of May, we increased our defensive credit hedges in U.S. high yield and investment grade via synthetic credit instruments. We also increased our defensive credit hedges in European high yield.

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

Developed government bond markets broadly sold off in May as strong economic data led to a repricing of monetary policy loosening expectations.

Within duration management, our long U.S. duration stance had a notable negative impact on performance as bond yields broadly climbed during the period due to a combination of debt ceiling concerns, robust economic data, and hawkish rhetoric from Federal Reserve officials. An allocation to

CREDIT QUALITY DIVERSIFICATION[2]

	% of Fund
AAA	16.5
AA	15.0
A	7.0
BBB	36.5
BB	15.9
B	0.7
C	0.1
CCC or below	0.0
Default	0.6
Not Rated	0.9
Cash	6.8

South African local currency government debt also detracted due to geopolitical concerns. However, our short UK duration stance in the longer end of the yield curve supported performance as inflationary pressures remained sticky.

In foreign exchange markets, the U.S. dollar broadly gained as multiple interest rate cut expectations were priced out during the month. The developments resulted in losses for our long positions in the euro. A long position in the Japanese yen also detracted as the Bank of Japan's new governor, Kazuo Ueda, affirmed that the central bank would maintain ultra-loose monetary policy settings until inflation sustainably hits its target. However, our short positions in the New Zealand dollar and the Australian dollar supported performance with the former benefiting from a dovish central bank rate hike.

The portfolio's positioning in credit markets weighed on returns as risk appetite wavered on debt ceiling concerns. High yield bond spreads in the U.S. widened over the period while equity markets advanced modestly. Within the portfolio, our select exposures to U.S. high yield corporate bonds weighed on performance as bond yields rose broadly. Our risk-hedging exposures expressed via equity put options also detracted.

OUTLOOK

A key development was our decision to add duration back into the portfolio. This was driven mainly by our expectations that the global economy is likely to face multiple headwinds as interest rates stay higher for longer. Our pivot towards a long duration bias strengthened later in the period on our growing bearish outlook for growth as the lagged impact of policy tightening feeds through to the broader economy. Furthermore, we believe that at these elevated yield levels, bonds could potentially reassert themselves as an effective diversifier to risk markets, if market conditions worsen. Therefore, we favor a steepening bias on the yield curve as the economic cycle transitions to a potential recession from a late-cycle expansion. We believe this positioning should be beneficial if policymakers are forced to cut interest rates due to a slowing economy or a market liquidity event. Selectively, we remain bearish on duration where inflationary pressures are sticky like in the UK. Broadly, we see greater dispersion in the global monetary policy cycle with some central banks reaching the end of their tightening cycles like New Zealand.

We shifted to a long U.S. dollar bias over the period as markets priced out expectations for multiple interest rate cuts for the rest of the year. However, we maintain our view that a period of dollar outperformance is ending as the Fed approaches the end of its rate tightening cycle. In credit markets, we have taken a defensive approach in the portfolios despite risk sentiment broadly sanguine in recent weeks. While spreads have widened, we believe valuations do not adequately compensate for the risk of an economic downturn that could undermine resilient corporate balance sheets.

Overall, the environment remains highly uncertain, and volatility is likely to persist across financial markets. Conditions for credit tightening remain in place due to the stress in the U.S. regional banking system and the Treasury rebuilding its cash reserves. Moreover, forces including slowing growth and quantitative tightening will likely keep volatility elevated. 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.

[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 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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