T.RowePrice®

INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Dynamic Global Bond Fund – S Class

As of 30 June 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
Mexican Bonos	3-Jun-2027	9.6
United Kingdom Inflation-Linked Gilt	22-Mar-2024	7.7
Deutsche Bundesrepublik Inflation Linked Bond	15-Apr-2026	6.6
Brazil Notas do Tesouro Nacional Serie F	1-Jan-2027	5.6
Canadian Government Bond	1-Dec-2032	3.1
Colombian TES	9-Feb-2033	2.6
Israel Government Bond - Fixed	31-Mar-2047	2.4
New Zealand Government Bond	15-May-2051	2.3
Mexican Bonos	31-May-2029	2.2
Thailand Government Bond	12-Mar-2028	2.2

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	72.77
Corporate (including High Yield)	10.85
Securitized	4.09
Equity	0.33
Cash & Cash Equivalents	11.96

PORTFOLIO CHARACTERISTICS[1,2,3]

	Fund
Number of Holdings	116
Number of Countries	42
Weighted Average Maturity	8.16 Years
Weighted Average Effective Duration	5.17 Years
Weighted Average Spread Duration	-1.24 Years
Average Credit Quality	A-
Yield to Maturity (including hedging)	2.25%

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)*	-2.38%	-4.33%	-4.36%	-4.36%	-5.48%	0.61%	1.56%
Bloomberg AusBond Bank Bill Index (AUD)	0.30	0.90	1.70	1.70	2.89	1.01	1.06
Value Added (Net)[4]	-2.68	-5.23	-6.06	-6.06	-8.37	-0.40	0.50

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	26.0
North America	16.5
Latin America	27.1
Pacific Ex Japan	10.6
Japan	0.0
Middle East & Africa	5.8
Reserves	14.1

CREDIT QUALITY DIVERSIFICATION[2]

	% of Fund
AAA	16.9
AA	11.5
A	7.6
BBB	32.6
BB	17.0
B	0.9
C	0.1
CCC or below	0.0
Default	0.7
Not Rated	-1.4
Cash	14.1

FUND REVIEW

The portfolio's duration ended the period at around five years, higher than the previous month.

This was driven mainly by increasing our duration bias in the U.S., particularly in the belly of the curve as we believe the risks of a recession are growing. Broadly, we increased a steepening bias in longer-dated maturities.

In the eurozone, we broadly maintained our short duration stance as the European Central Bank (ECB) reaffirmed its hawkish rhetoric despite growing economic headwinds. Broadly, we maintained our short duration stance in Germany and France as we expect interest rates to remain on an upward path.

In the UK, we increased our short duration bias, mainly via closing our long duration exposures at the short end of the gilt yield curve as the Bank of England implemented a larger-than-expected interest rate increase and warned more rate hikes were needed to dampen sticky inflationary pressures.

Among other high-quality countries, we kept our long duration positions in New Zealand, Australia, Israel, and Canada on growing concerns of a broadening economic slowdown.

We maintained exposures to inflation-linked bonds and swaps in Germany, U.S., and the UK where we believe core inflationary pressures are likely to remain sticky.

In emerging markets, we trimmed our long duration positions in Brazilian and Hungarian local currency government bonds. Elsewhere, long positions were maintained in the local currency government bond markets of Mexico, South Korea, Thailand, South Africa, Colombia, Serbia, Chile, and Indonesia.

In currencies, we reduced our tactical long position on the U.S. dollar as the safe-haven currency declined in the backdrop of the broadly risk-supportive environment. Among key moves, we shifted to a long bias on the euro due to a hawkish ECB and trimmed a long position in the Japanese yen due to a dovish Bank of Japan. Elsewhere, we reduced a short bias in the Australian dollar and increased our short bias on the New Zealand dollar and the Chinese yuan. We also introduced a short position on the Swedish krona due to worsening housing market dynamics.

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

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 endured another rocky month in June as yields broadly climbed on expectations that major central banks will keep interest rates higher for longer. Within duration management, a long duration stance in the U.S. had a notable negative impact on performance as Treasury yields climbed due to hawkish central bank rhetoric. A UK curve steepening position also detracted as the yield curve inverted to its deepest level in more than two decades. Long duration stances in Australia and New Zealand also weighed on performance. However, our long allocations to Colombian and Hungarian local currency government bonds supported performance.

In foreign exchange markets, the U.S. dollar broadly weakened as the Federal Reserve paused its monetary policy tightening campaign after 10 consecutive meetings of rate increases. The developments resulted in losses for our long positions in Japanese yen as the currency weakened to its lowest levels in more than seven months. Our long position in the euro also detracted in the latter half of the period. However, our short positions in the Chinese yuan and the Taiwanese dollar contributed to performance.

Within sectors, our short exposures to U.S. high yield and investment grade, expressed via credit derivatives, weighed on performance as risk appetite remained intact and spreads tightened.

OUTLOOK

We have increased duration in the portfolio toward the higher end of our range as the global economy exhibits signs of a material slowdown in growth. Wage growth momentum is slowing, and global manufacturing surveys are on a downward trajectory even as the cumulative effects of the recent monetary tightening cycle percolates through to the broader economy. High-frequency economic data in China, the world's third-biggest economy, is deteriorating while inflationary readings in Europe are cooling. Moreover, the global pool of market liquidity is dwindling due to the ongoing withdrawal of policy stimulus by central banks and the rebuilding of cash balances at the U.S. Treasury. With bond yields trading near their highest levels since the global financial crisis, our conviction of a long duration posture is further strengthened by our belief that bonds could potentially reassert themselves as an effective diversifier to risk markets, if market conditions worsen. Broadly, we see greater dispersion in the global monetary policy cycle with some central banks reaching the end of their tightening cycles such as Brazil and Chile.

We reduced our long U.S. dollar bias over the period as we believe interest rates have potentially reached a peak in the backdrop of increasing signs of softness in the economy. This aligns with our medium-term view that a sustained period of dollar outperformance is ending. In credit markets, the ongoing deterioration in economic data and declining market volatility has prompted us to adopt a defensive approach in our portfolios. Current valuations provide little margin for error as markets continue to look past the growing risks of an economic downturn.

Overall, the environment remains highly uncertain, and volatility is likely to persist across financial markets. Bond market volatility has halved from levels seen earlier this year at a time when multiple forces including slowing growth and quantitative tightening will likely inject greater uncertainty. 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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