T.RowePrice®

INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Dynamic Global Bond Fund – S Class

As of 31 July 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	12.1
Mexican Bonos	3-Jun-2027	9.8
Italy Buoni Poliennali del Tesoro	29-Sep-2025	9.6
U.S. Treasury Inflation Indexed Bonds	15-Apr-2024	5.7
Mexican Bonos	31-May-2029	4.6
Colombian TES	9-Feb-2033	2.8
Israel Government Bond - Fixed	31-Mar-2047	2.4
New Zealand Government Bond	15-May-2051	2.3
Thailand Government Bond	12-Mar-2028	2.2
Romania Government Bond	12-Feb-2029	2.1

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	77.37
Corporate (including High Yield)	10.59
Securitized	4.02
Equity	0.12
Cash & Cash Equivalents	7.90

PORTFOLIO CHARACTERISTICS[1,2,3]

	Fund
Number of Holdings	113
Number of Countries	41
Weighted Average Maturity	5.08 Years
Weighted Average Effective Duration	2.65 Years
Weighted Average Spread Duration	0.29 Years
Average Credit Quality	A-
Yield to Maturity (including hedging)	2.59%

PERFORMANCE

	One Month	Three Months	Six Months	Year-to-date	One Year	Annualised: Three Years	Annualised: Since Share Class Inception
T. Rowe Price Dynamic Global Bond Fund – S Class (Net – AUD) *	-0.55%	-4.66%	-3.33%	-4.89%	-3.81%	-0.03%	1.40%
Bloomberg AusBond Bank Bill Index (AUD)	0.37	0.97	1.81	2.08	3.15	1.13	1.12
Value Added (Net)[4]	-0.92	-5.63	-5.14	-6.97	-6.96	-1.16	0.28

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	32.1
North America	18.9
Latin America	26.0
Pacific Ex Japan	8.8
Japan	0.0
Middle East & Africa	5.9
Reserves	8.2

FUND REVIEW

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

This was driven mainly by decreasing our long duration bias in the U.S., particularly in the front end and the intermediate segment of the curve due to strong growth data. Broadly, we maintained a steepening bias in U.S. longer-dated maturities.

In the eurozone, we broadly moved to a neutral stance on eurozone duration and implemented a steepening bias on the yield curve due to a mixed macro landscape and as policymakers committed to a "data-dependent approach" to future rate decisions.

In the UK, we reduced our short duration bias, mainly via trimming our short duration exposures at the long end of the gilt yield curve due to lower-than-expected inflation data.

Among other high-quality countries, we added to a short duration stance in Japan on expectations that the Bank of Japan's policy change will pressure bond yields higher. Elsewhere, we reduced our long duration stance in Australia and removed a long duration position in Canada.

We maintained exposures to inflation-linked bonds and swaps in the U.S., the UK, and Germany 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 added in local currency government bonds in Mexico and the Czech Republic. Long positions were maintained in the local currency government bond markets of South Korea, Thailand, South Africa, Colombia, Serbia, Chile, and Indonesia.

In currencies, we increased our tactical long position on the U.S. dollar taking advantage of the currency's weakness against its peers. Among key moves, we switched to a negative bias on the euro due to weakening economic fundamentals and closed a short position on the Swedish krona as the currency rebounded. We also closed a short position on the Chinese yuan as authorities pledged more support.

Within sectors, we reduced our defensive positions to take advantage of the continuation of the bullish investor sentiment within risk markets. Accordingly, at the end of July, we moved to a tactical long bias on European high-yield and broadly removed our credit protection in U.S. high yield via synthetic credit instruments. However, we retained a short position in U.S. investment-grade debt.

PORTFOLIO PERFORMANCE

Developed government bond markets stabilized in July after a volatile few weeks as declining inflation prints and resilient growth data raised expectations that the global economy may be able to avoid a recession. Within duration management, a long duration stance in Mexican local currency government bonds had a negative impact on performance as yields rose earlier in the period as the central bank flagged caution on the inflationary outlook despite recent declines. A short UK duration stance also weighed on performance as inflation data declined more than expectations along with short duration postures in Poland. However, our long duration positions in Japan and Germany contributed to performance with the former benefiting from the BOJ's policy changes. A steepening bias in the U.S. Treasury yield curve also supported performance.

CREDIT QUALITY DIVERSIFICATION[2]

	% of Fund
AAA	10.5
AA	15.0
A	7.5
BBB	46.8
BB	9.6
B	1.5
C	0.1
CCC or below	0.0
Default	0.7
Not Rated	0.3
Cash	8.2

In foreign exchange markets, the U.S. dollar broadly weakened against its developed market peers as softening inflation data raised bets that the Federal Reserve is nearing the end of its hiking cycle before resilient employment data moderated some losses. The developments resulted in losses for our long positions in the euro as the currency traded lower later in the period. Long positions in the yen and the South African rand also detracted, the latter as the central bank unexpectedly paused its monetary tightening campaign. However, our short Chinese renminbi position and a short position in the Taiwanese dollar contributed to performance.

Within sectors, our short exposures to U.S. and European high yield, expressed via credit derivatives, weighed on performance, particularly in the first half of the month. Our defensive hedges in U.S. commercial mortgage-backed securities also detracted. However, our pivot to a risk-on position in mid-July helped mitigate some losses.

OUTLOOK

We have trimmed duration in the portfolio over the period as resilient U.S. economic data have fanned the narrative of a soft economic landing. But we see increased signs of growing economic headwinds. Global manufacturing surveys and producer price indexes are signaling recessionary risks. China's July Politburo meeting struck a dovish note with authorities pledging renewed support to the struggling economy. While we recognize that interest rates are nearing a peak, major central banks have tightened monetary policy in July. We believe policymakers will not cut interest rates unless there are clear signs of an economic downturn. In this uncertain market backdrop, we continue to focus on a steepening bias on the U.S. Treasury curve. We have also reduced our long duration postures in bond markets such as Australia, France, and Italy where the BOJ's policy tweak will reduce Japanese demand. Broadly, we are seeing greater dispersion in the global monetary policy cycle with some central banks like Chile starting to cut interest rates.

We increased the size of our long U.S. dollar bias on expectations that a potential deterioration of the risk environment could boost the safe-haven appeal of the dollar. Concurrently, we turned bearish on the euro as we believe the single currency is facing headwinds from slowing economic growth and declining hopes of shrinking interest rate differentials with the dollar. In credit markets, we have reduced our defensive approach in our portfolios as we see markets slowly adjusting to the slowing economic growth thesis over the summer lull. Our decision to switch to a tactical long position on risk is supported by a moderately long duration posture which should protect the portfolio in a risk-off scenario.

Overall, we expect volatility to continue as markets grapple with several different issues all at the same time, including geopolitical risks, slowing growth and the potential for policy errors. Markets are facing a "peak moment" on multiple fronts including interest rates, global liquidity, and employment. 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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