



T. Rowe Price Dynamic Global Bond Fund – S Class

As of 31 August 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	12.0
Mexican Bonos	3-Jun-2027	9.7
Italy Buoni Poliennali del Tesoro	29-Sep-2025	9.6
U.S. Treasury Inflation Indexed Bonds	15-Apr-2024	5.8
Mexican Bonos	31-May-2029	4.5
U.S. Treasury Notes	31-Oct-2023	4.0
Colombian TES	9-Feb-2033	2.7
Israel Government Bond - Fixed	31-Mar-2047	2.3
Thailand Government Bond	12-Mar-2028	2.2
New Zealand Government Bond	15-May-2051	2.2

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	77.08
Corporate (including High Yield)	10.48
Securitized	3.70
Equity	0.15
Cash & Cash Equivalents	8.59

PORTFOLIO CHARACTERISTICS^{1,2,3}

	Fund
Number of Holdings	110
Number of Countries	41
Weighted Average Maturity	3.32 Years
Weighted Average Effective Duration	0.18 Years
Weighted Average Spread Duration	-0.98 Years
Average Credit Quality	A-
Yield to Maturity (including hedging)	1.60%

PERFORMANCE

	Annualised						Since Share Class Inception
	One Month	Three Months	Six Months	Year-to-date	One Year	Three Years	
T. Rowe Price Dynamic Global Bond Fund – S Class (Net – AUD) [*]	-0.52%	-3.43%	-4.97%	-5.39%	-6.66%	-0.19%	1.26%
Bloomberg AusBond Bank Bill Index (AUD)	0.37	1.04	1.94	2.45	3.37	1.25	1.18
Value Added (Net) ⁴	-0.89	-4.47	-6.91	-7.84	-10.03	-1.44	0.08

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.

¹Issuer 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.

²Calculated using the portfolio's direct holdings plus exposure from derivative instruments.

³Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

⁴The 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.

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BLOCK BOND ALLOCATION (ISSUE CURRENCY)¹

	% of Fund
Europe	31.3
North America	22.0
Latin America	24.2
Pacific Ex Japan	8.5
Japan	0.1
Middle East & Africa	3.7
Reserves	10.2

FUND REVIEW

The portfolio's duration ended the period with a neutral bias, lower than the previous month. This was driven mainly by decreasing our U.S. duration bias, particularly in the medium and the longer-end of the curve due to the prospect of increased supplies amid a worsening fiscal backdrop. Broadly, we maintained a steepening bias.

In the eurozone, we broadly moved to a neutral duration bias in Germany from a short position on expectations that the European Central Bank is nearing the end of its policy tightening campaign. This was offset to some extent by increasing our short duration bias in Italy.

In the UK, we neutralised our short duration exposures in the gilt yield curve as economic data pointed to increasing economic headwinds.

Among other high-quality countries, we dynamically managed our exposure to Australian duration and moved towards a long duration stance at the end of the period as the central bank paused raising interest rates amid signs of slowing inflation. Elsewhere, we maintained our long duration stance in New Zealand and our short duration exposure in Japan.

We maintained exposures to inflation-linked bonds and swaps in the 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 Mexican local currency government debt as the central bank kept a cautious outlook on inflation. Elsewhere, we trimmed a long duration position in South Africa. Long positions were maintained in the local currency government bond markets of South Korea, Thailand, Brazil, Colombia, Serbia, Chile, and Indonesia.

In currencies, we dynamically managed our tactical long position on the U.S. dollar by increasing it earlier before trimming the size of the position later in the period. Among key moves, we closed our short euro position as inflationary pressures showed further signs of receding. We also initiated a short position on the Chinese yuan due to widening signs of weakness in the domestic economy and switched to a short position on the Canadian dollar.

Within sectors, we increased our defensive positions in the portfolio due to increased signs of weakness in the global economy. Accordingly, at the end of August, we removed a tactical long bias on European high-yield and increased our credit protection on U.S. high-yield debt via derivatives.

PORTFOLIO PERFORMANCE

Developed government bond markets had a mixed month as yields climbed amid robust economic data and strong corporate earnings. Within duration management, a long duration stance in Mexican local currency government bonds had a negative impact on performance as yields rose during the period after the central bank flagged caution on the monetary policy outlook with inflationary expectations holding above target. A long duration position in Colombian local currency government debt also weighed on performance as inflation exceeded expectations. However, our U.S. curve steepening positions supported performance as investors focused on the higher-for-longer theme for policy interest rates and a negative issuance outlook that included a downgrade of U.S. debt by Fitch Ratings.

CREDIT QUALITY DIVERSIFICATION²

	% of Fund
AAA	14.1
AA	14.9
A	7.3
BBB	45.1
BB	7.1
B	1.5
C	0.1
CCC or below	0.0
Default	0.6
Not Rated	-1.0
Cash	10.2

In foreign exchange markets, the U.S. dollar enjoyed a positive month after two consecutive months of losses as solid economic data boosted expectations that the Federal Reserve will have to maintain a hawkish bias on interest rates. The developments resulted in gains for our short positions in currencies including the New Zealand dollar, South Africa rand, and Australian dollar. However, a short position in the Mexican peso detracted.

Our defensive positioning in credit and equity markets had a negative impact on performance as risk appetite was volatile during the period. Within sectors, our tactical long exposures to U.S. and European high yield weighed on performance early in the month due to weak Chinese economic data. Our decision to rotate to a short stance, thereafter, based on tight valuations and narrow equity market performance alongside concerns over potential tightening liquidity conditions for companies, detracted as risk sentiment recovered in the latter stage of August. Our exposures to select U.S. investment-grade corporate debt also weighed on performance as spreads widened.

OUTLOOK

A key development during the period was our decision to reduce duration in the portfolio. This was driven mainly by our conviction that while 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 economic landscape. We are also mindful that major economies will resume a heavy issuance calendar, likely pressuring longer-dated yields higher. However, we see increased signs of weakening economic indicators. Global manufacturing surveys are signaling growing recessionary risks while China's policymakers are trying to prevent a deeper economic slowdown. Consequently, we believe a steepening yield curve bias will benefit from further evidence of economic deterioration. 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 broadly maintained the size of our long U.S. dollar bias on expectations that a potential deterioration of the risk environment could boost the dollar's safe-haven appeal. Concurrently, we remain bearish on growth-sensitive currencies including the Australian dollar and the Chinese yuan as we believe China's slowdown will also impact its trading partners. In credit markets, we increased our defensive approach in our portfolios as we see tight valuations and a higher-for-longer interest rate environment would negatively impact liquidity conditions for companies.

Overall, we expect volatility to continue as markets grapple with several different issues all at the same time, including 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 +0.10% / Sell -0.10%

[^]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.

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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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