



T. Rowe Price Dynamic Global Bond Fund – S Class

As of 30 September 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	11.6
Italy Buoni Poliennali del Tesoro	29-Sep-2025	9.2
U.S. Treasury Notes	31-Oct-2023	7.2
U.S. Treasury Notes	15-Dec-2023	6.2
U.S. Treasury Inflation Indexed Bonds	15-Apr-2024	5.8
Mexican Bonos	31-May-2029	4.3
Colombian TES	9-Feb-2033	2.6
Thailand Government Bond	12-Mar-2028	2.1
New Zealand Government Bond	15-May-2051	2.0
United Kingdom Gilt	22-Oct-2071	1.9

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	75.11
Corporate (including High Yield)	10.31
Securitized	3.54
Equity	0.39
Cash & Cash Equivalents	10.65

PORTFOLIO CHARACTERISTICS^{1,2,3}

	Fund
Number of Holdings	115
Number of Countries	41
Weighted Average Maturity	3.77 Years
Weighted Average Effective Duration	-0.68 Years
Weighted Average Spread Duration	-0.86 Years
Average Credit Quality	A
Yield to Maturity (including hedging)	2.15%

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) [*]	0.54%	-0.54%	-4.84%	-4.88%	-7.61%	0.23%	1.36%
Bloomberg AusBond Bank Bill Index (AUD)	0.34	1.08	1.99	2.80	3.56	1.36	1.24
Value Added (Net) ⁴	0.20	-1.62	-6.83	-7.68	-11.17	-1.13	0.12

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	32.8
North America	32.6
Latin America	12.1
Pacific Ex Japan	8.0
Japan	0.9
Middle East & Africa	2.9
Reserves	10.7

FUND REVIEW

The portfolio's duration ended the period lower than the previous month.

In the U.S., we trimmed our short duration bias. However, we maintained a steepening bias in the longer-end of the Treasury curve due to the prospect of increased supplies amid a worsening fiscal backdrop.

In the eurozone, we broadly maintained a short duration bias. This was mainly by implementing a steepening bias in the longer-end of the yield curve in France and Italy due to the ongoing quantitative tightening and more supplies.

In the UK, we held a long duration exposure, on expectations that interest rates have likely peaked.

Among other high-quality countries, we closed our long exposure to Australian duration as expectations for rate cuts were pushed out further due to a rebound in inflation given higher oil prices. Elsewhere, we also reduced our long duration stance to New Zealand and maintained our short duration exposure in Japan as bond yields edged higher.

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 bias to Mexican local currency government bonds after the central bank signaled a cautious outlook on inflation. Elsewhere, also trimmed our long duration bias to Israel and South Korean local currency bonds. Long positions were maintained in the local currency government bond markets of Thailand, Colombia, Chile, India, Malaysia, and Indonesia.

In currencies, we broadly maintained a long position on the U.S. dollar recognizing its safe-haven appeal in a worsening risk market environment. Among key moves, we pivoted to a short position on the euro in the latter half of the period due to widening signs of weakness for the eurozone economy. We also closed our short position the New Zealand and trimmed a short position on the Australian dollar due to signs of improvement in the global growth outlook. We closed our short position on the Chinese yuan as the country's economic outlook remains subdued.

Within sectors, we held defensive positions in the portfolio due to increased signs of weakness in the global economy. At the end of September, we trimmed our credit protection on U.S. investment-grade and high-yield debt via derivatives and increased our credit protection on European high-yield debt

PORTFOLIO PERFORMANCE

Global government bond markets endured a torrid month as bond yields broadly climbed as resilient labor markets fueled expectations that interest rates would have to remain higher for longer to bring core inflationary pressures back to target. Within duration management, our U.S. Treasury curve steepening position and a short duration bias supported performance as yields climbed due to growing fiscal concerns and as investors focused on the higher-for-longer theme for policy interest rates. A Moody's warning that a U.S. government shutdown, which was narrowly averted with a last-minute stopgap bill, could hurt the country's AAA sovereign credit rating also

CREDIT QUALITY DIVERSIFICATION²

	% of Fund
AAA	23.2
AA	16.9
A	7.8
BBB	33.6
BB	5.3
B	1.4
C	0.1
CCC or below	0.0
Default	0.6
Not Rated	0.3
Cash	10.7

weighed on bond markets. A short Italian duration bias also supported performance after policymakers flagged a wider fiscal deficit due to promised tax cuts. However, a long duration bias to Mexican and Colombian local currency government bonds and New Zealand duration weighed on performance amid a rising yield backdrop.

In foreign exchange markets, the U.S. dollar enjoyed a positive month, amid an upside surprise in core consumer price index inflation, better-than-expected retail and services activity data and a revised Fed dot plot suggesting fewer interest rate cuts in 2024. The developments resulted in gains for our short positions in currencies including the euro, British pound, and the Polish zloty. However, a short position in the Swedish krona weighed on performance after the central bank raised interest rates.

Our defensive positioning in credit markets had a negative impact on performance as underlying government bond yields broadly climbed during the period. Within sectors, our select exposures to U.S. investment grade and high yield bonds weighed on performance. However, our short exposures to U.S. high yield and U.S. investment grade via credit derivatives supported performance in the latter half of the period as risk markets declined.

OUTLOOK

Markets are starting to process the amount of increased bond issuance that needs to be absorbed without the support of central banks. In the third quarter alone, the U.S. issued USD 1 trillion of debt which markets struggled to digest in the absence of the Federal Reserve as a natural buyer. Moreover, U.S. Treasury yields historically peaked at levels closer to the central bank's policy rates, suggesting more pain for bond markets. Therefore, while we have broadly maintained a neutral bias on duration in the portfolio, our most prominent position is for a yield curve steepening bias. Our steepening bias is more tilted in favor of Europe compared with the U.S. where countries including Italy have flagged higher budget deficits, adding to upward pressure on peripheral bond yield spreads. While shorter-dated yields will likely remain capped due to worsening economic data, increased supplies and the ongoing quantitative tightening by major central banks will propel longer-dated yields higher. Moreover, a steady rise in Japanese bond yields will likely reduce Japanese demand for debt in Australia, France, and Italy.

We increased the size of our long U.S. dollar bias on expectations that a potential deterioration of the risk environment could support the dollar's safe-haven appeal. Concurrently, we remain bearish on growth-sensitive currencies including the Australian dollar and the euro as we believe a widening economic slowdown will weigh on these economies. In credit markets, we maintained our defensive approach in our portfolios as higher borrowing costs for a prolonged period and draining market liquidity would negatively impact financing 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.

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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 +0.10% / 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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