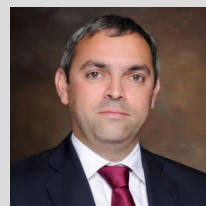


## T. Rowe Price Dynamic Global Bond Fund – I Class

As of 31 December 2020



**Portfolio Manager:**

Arif Husain

**Joined Firm:**

2013

**Investment Experience:**

25 Years



### 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<sup>1</sup>

	Maturity Date	% of Fund
United Kingdom Gilt	07 Dec 2030	7.6
Japan Government Twenty Year Bond	20 Sep 2022	4.0
Japan Government Ten Year Bond	20 Sep 2030	3.7
Philippine Government International Bond	26 Nov 2022	3.5
Indonesia Treasury Bond	15 May 2029	3.2
Korea Treasury Bond	10 Mar 2024	2.8
Bonos de la Tesoreria de la Republica en pesos	01 Mar 2026	2.3
Romania Government Bond	12 Feb 2029	2.2
Brazil Notas do Tesouro Nacional Serie F	01 Jan 2027	2.1
Russian Federal Bond - ofZ	10 Apr 2030	2.1

### PERFORMANCE

	One Month	Three Months	Year-to-date	One Year	Three Years	Five Years	Since Fund Inception
T. Rowe Price Dynamic Global Bond Fund – I Class (Gross – AUD)*	1.59%	2.34%	8.86%	8.86%	3.46%	3.45%	4.30%
T. Rowe Price Dynamic Global Bond Fund – I Class (Net – AUD)**	1.56	2.24	8.43	8.43	3.05	3.02	3.86
Bloomberg AusBond Bank Bill Index (AUD)	0.00	0.02	0.37	0.37	1.26	1.52	1.79
Value Added (Gross) <sup>4</sup>	1.59	2.32	8.49	8.49	2.20	1.93	2.51
Value Added (Net) <sup>5</sup>	1.56	2.22	8.06	8.06	1.79	1.50	2.07

**Past performance is not a reliable indicator of future performance.**

Source for performance: T. Rowe Price.

\* Gross-of-fees performance is the net return with fees and expenses added back.

\*\* 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.

<sup>1</sup> 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.

<sup>2</sup> Calculated using the portfolio's direct holdings plus exposure from derivative instruments.

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

<sup>4</sup> The Value Added is shown as the Fund (Gross) minus its Index.

<sup>5</sup> The Value Added is shown as the Fund (Net) minus its Index.

### SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	61.58
Corporate (including High Yield)	16.08
Securitized	5.94
Equity	0.14
Cash & Cash Equivalents	16.26

### PORTFOLIO CHARACTERISTICS<sup>1,2,3</sup>

	Fund
Number of Holdings	126
Number of Countries	41
Weighted Average Maturity	5.58 Years
Weighted Average Effective Duration	-0.04 Years
Weighted Average Spread Duration	1.71 Years
Average Credit Quality	A-
Yield to Maturity (including hedging)	1.40%

Annualised

	One Month	Three Months	Year-to-date	One Year	Three Years	Five Years	Since Fund Inception
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This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. The views and portfolio holdings contained herein are as of date noted on the material and are subject to change without further notice. The specific securities identified and described do not necessarily represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.

**BLOCK BOND ALLOCATION (ISSUE CURRENCY)<sup>1</sup>**

	% of Fund
Europe	20.7
North America	22.1
Latin America	8.4
Pacific Ex Japan	20.3
Japan	7.7
Middle East & Africa	3.1
Reserves	17.6

**FUND REVIEW**

The portfolio's overall duration level stood close to zero at the end December. This was driven mainly by short duration stances in core countries, such as the U.S. and Germany, as we remained concerned about their ability to offer diversification in the current environment.

Elsewhere, an allocation to U.S. inflation-linked bonds was maintained on anticipation that price pressures could rise in the future as a result of base effects and new fiscal stimulus.

Throughout, we kept a long duration posture in Australia and a modest positive bias in the eurozone periphery through exposure to Cyprus.

Among other high-quality countries, we retained long exposures throughout in Israel, Thailand, Hong Kong, China, Malaysia, and South Korea. Our long duration position in Japan was slightly trimmed over the period.

Within emerging market countries, we retained long positions in the local government bond markets of Chile, Brazil, Indonesia, the Philippines, Serbia, Russia, Romania, and South Africa.

To help mitigate some of the risk associated with our "return-seeking" positions in emerging markets, we maintained short duration positions throughout in Poland and, to a lesser extent, the Czech Republic.

In the currency sphere, we further increased exposure to emerging markets during December. This was done through initiating a new modest long position in the South African rand and adding to existing long positions in the Russian ruble and Brazilian real.

Within sector allocation, we further increased the overall positive stance in credit markets during December. This was done through adding a new long position in U.S. investment grade via synthetic credit instruments. In other moves, we trimmed some of our long positions in select individual corporate bonds after strong performance.

Put option structures on U.S. equities—which we hold as a defensive hedge against a rapid correction in equity markets—were adjusted during the month.

**PORTFOLIO PERFORMANCE**

Within duration management, gains were made from a short duration stance in the U.S. and long duration postures in Brazil, Serbia, Thailand, and South Africa. An allocation to U.S. inflation-linked bonds also had a notable positive impact on performance.

**CREDIT QUALITY DIVERSIFICATION<sup>2</sup>**

	% of Fund
AAA	8.4
AA	8.1
A	11.2
BBB	23.9
BB	10.5
B	1.4
Not Rated	18.8
Reserves	17.6

**DISTRIBUTION INFORMATION**

	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Distribution Rate (cents per unit AUD)	0.32	0.17	0.15	0.16

In the currency sphere, our short bias in the U.S. dollar boosted returns in December as a result of gains from long exposures in the Australian dollar and the euro. Our long positions in select emerging market currencies, such as the Russian ruble, Brazilian real, and Romanian leu further boosted performance, while a short position in the Taiwanese dollar dragged.

Sector allocation had a positive impact overall as we benefited from security selection in high yield and investment-grade corporate bonds. Our short position in U.S. equities via put option structures detracted modestly from returns, however.

**OUTLOOK**

Market participants looked past negative short-term news relating to the virus and instead focused on positive vaccine news and the prospect of a new fiscal package in the U.S. These factors boosted investor risk appetite, helping risk assets, such as credit and equity, to rally. We believe that for the time being it is important to follow the market trend while maintaining a high liquidity profile within the portfolio. Against an uncertain recovery backdrop, we believe that flexibility will be key in 2021. This is a conducive environment for us as we have the ability to adapt quickly to changes in market conditions.

In the currency sphere, the short bias in the U.S. dollar remained one of our key convictions in the portfolio. We expressed this against a range of different currencies, including European currencies that could potentially benefit from the strong momentum around the euro. Secondly, we have implemented a number of long positions in select emerging market currencies that are highly correlated to a risk-on scenario and offer attractive valuation characteristics, in our view. Lastly, a small number of higher-risk idiosyncratic positions have been kept in place in currencies that we believe offer long term potential and benefit from high carry characteristics.

<sup>1</sup>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.

<sup>2</sup>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 or visit [www.troweprice.com.au](http://www.troweprice.com.au)

**FUND INFORMATION**

APIR	ETL0398AU
Inception Date	18 February 2014
Benchmark	Bloomberg AusBond Bank Bill Index (AUD)
Management Fees <sup>^</sup>	0.40% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.35% / Sell -0.35%
Total Assets	\$745,479,862.84 AUD

<sup>^</sup>The Management Fee for the T. Rowe Price Dynamic Global Bond Fund is 0.40% 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.

Sources for Credit Quality: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, T. Rowe Price will use Fitch for securities that are not rated by Moody's or S&P.

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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