

T. Rowe Price Australian Equity Fund – I Class

As of 31 March 2021



Portfolio Manager:

Randal Jenneke

Joined Firm:

2010

Investment Experience:

29 Years



INVESTMENT OBJECTIVE

The Fund's investment objective is long-term capital appreciation through investment primarily in a portfolio of securities of Australian companies listed on the S&P/ASX 200 Total Return Index (ASX200). The portfolio will include the securities of a broad range of companies across the market capitalisation.

TOP 10 HOLDINGS (%)

	% of Fund	S&P/ASX 200 Total Return Index (AUD)
Bhp	9.2	7.0
National Australia Bank	7.1	4.5
Westpac Banking	6.7	4.7
Wesfarmers	4.2	3.1
Macquarie Group	4.0	2.7
CSL	3.9	6.3
Transurban	3.8	1.9
Woolworths	3.6	2.7
Aristocrat Leisure	3.5	1.2
Dominos Pizza Enterprises	3.3	0.3

SECTOR EXPOSURE

	% of Fund	Fund vs. S&P/ASX 200 Total Return Index (AUD)
Consumer Discretionary	24.9	17.0
Financials	21.1	-8.9
Materials	18.7	-1.2
Health Care	8.3	-1.7
Communication Services	7.3	3.2
Industrials & Business Services	6.5	-0.3
Information Technology	5.0	1.0
Consumer Staples	3.6	-2.0
Real Estate	2.9	-3.7
Energy	0.0	-3.7
Utilities	0.0	-1.3

PORTFOLIO CHARACTERISTICS

	Fund	S&P/ASX 200 Total Return Index (AUD)
Number of Issuers	35	200
Top 20 Issuers as Percent of Total	78.1%	59.5%
Percent of Portfolio in Cash	1.6%	-
Portfolio Turnover (12 Months)	87.5%	-
Active Share	56.4%	-

PERFORMANCE

	One Month	Three Months	Year-to-date	One Year	Three Years	Five Years	Since Fund Inception
T. Rowe Price Australian Equity Fund – I Class (Gross – AUD) [*]	1.05%	3.96%	3.96%	34.59%	8.37%	10.65%	10.50%
T. Rowe Price Australian Equity Fund – I Class (Net – AUD) ^{**}	1.00	3.81	3.81	33.80	7.72	9.96	9.68
S&P/ASX 200 Total Return Index (AUD)	2.44	4.26	4.26	37.47	9.65	10.25	9.60
Value Added (Gross) ¹	-1.39	-0.30	-0.30	-2.88	-1.28	0.40	0.90
Value Added (Net) ²	-1.44	-0.45	-0.45	-3.67	-1.93	-0.29	0.08

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.

¹The Value Added is shown as the Fund (Gross) minus its Index.

²The Value Added is shown as the Fund (Net) minus its Index.

FUND REVIEW

Australian equities had another strong month. The S&P/ASX 200 total return index underperformed other developed peers but outperformed emerging markets in local currency terms.

The top performing sectors in March included consumer discretionary, utilities, and REITs, while the key underperforming areas were materials, information technology, and energy. Oil prices fell as expectations of stronger demand softened, with new lockdowns instituted in Europe. A slowing of credit and steel output restrictions in Tangshan in China caused iron ore prices to decline while gold prices continued to weaken. Expectations of higher inflation, caused by stronger economic growth due to fiscal stimulus and the re-opening of economies as vaccine rollouts speed up, saw 10-year U.S. Treasury yields jump by 33 basis points to 1.73%. Conversely, Australian 10-year bond yields fell 13 basis points to 1.79%, following a spike in February. This fall in yields was assisted by increased bonds purchases by the Reserve Bank of Australia (RBA). The Australian dollar fell by 1.3% against its U.S. counterpart.

PORTFOLIO HIGHLIGHTS

The T. Rowe Price Australian Equity Fund underperformed the market in March. Good performances were posted by Harvey Norman, Aristocrat, and Seek. Notable underperformers included Zip, Kogan, and IDP Education. Ongoing strength in retail spending coupled with a strong house price recovery saw Harvey Norman outperform for the month. In our view, the company is well positioned to continue to benefit from these trends throughout 2021 and beyond. Following very strong share price appreciation in the year to date, Zip underperformed in March. This was primarily driven by profit-taking and the ongoing rotation from growth to value.

OUTLOOK

The consensus market expectation is for higher growth, higher inflation, and therefore higher interest rates. For central banks that are aggressively pursuing policies to attempt to get to their inflation targets, this may be a classic case of “be careful what you wish for”. Higher interest rates in particular have the potential to derail the current economic recovery, due to the heavily indebted nature of most developed economies and may make governments more circumspect about running large budget deficits as funding costs rise. There is also the valuation risk to equity markets and house prices should interest rates rise too much and feed into higher financing costs. In an asset dependent world, higher interest rates are a significant risk we haven’t had to worry about for quite some time. For these reasons we are sceptical about the ability for interest rates to sustainably rise much beyond current levels.

The portfolio is well-positioned in cyclical growth, recovery growth, and high-quality stocks that we believe will benefit as economic conditions continue to improve. We have tilted our positioning towards more domestic exposures to reflect the stronger economic performance of the Australian economy. To fund these portfolio changes we took profit on defensive growth names and somewhat reduced exposure to offshore earners. Despite our positive view on economic growth we expect interest rates to continue to remain low to support the recovery. The recent actions taken by the RBA to aggressively buy longer-dated government bonds in order to bring down long-term interest rates is a strong indication of things to come. As a result, we expect growth stocks to likely continue to do well.

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CONTACT US

For more information about the Fund, please contact our Relationship Management team on 02 8667 5700 or visit www.troweprice.com.au

FUND INFORMATION

APIR	ETL0328AU
Inception Date	04/26/2012
Benchmark	S&P/ASX 200 Total Return Index (AUD)
Management Fees [^]	0.60% p.a.
Distribution	Annually
Buy/Sell	Buy +0.10% / Sell -0.05%
Total Assets	\$106,437,928 AUD

[^]The Management Fee for the T. Rowe Price Australian Equity Fund is 0.60% 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.

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The information shown does not reflect any ETFs that may be held in the portfolio.

Source for Sector Diversification: T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. T. Rowe Price will adhere to all updates to GICS for prospective reporting.

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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