



AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Australian Equity Fund – I Class

As of 31 January 2022



Portfolio Manager:

Randal Jenneke

Joined Firm:

2010

Investment Experience:

30 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	9.8	6.9
CSL	8.3	5.4
Coles	5.6	0.8
National Australia Bank	5.4	4.2
Macquarie Group	4.7	2.5
Computershare	4.5	0.5
Aristocrat Leisure	4.4	1.0
Rio Tinto	4.0	2.2
Wesfarmers	3.9	2.4
Goodman Group	3.6	1.3

SECTOR EXPOSURE

	% of Fund	Fund vs. S&P/ASX 200 Total Return Index (AUD)
Materials	17.2	-7.3
Consumer Discretionary	17.0	9.5
Financials	14.5	-13.2
Health Care	14.3	4.8
Information Technology	9.2	5.6
Communication Services	8.7	4.5
Industrials & Business Services	7.2	0.6
Consumer Staples	5.6	1.0
Real Estate	3.6	-3.3
Utilities	2.2	0.7
Energy	0.0	-3.5

PORTFOLIO CHARACTERISTICS

	Fund	S&P/ASX 200 Total Return Index (AUD)
Number of Issuers	37	200
Top 20 Issuers as Percent of Total	80.1%	60.6%
Percent of Portfolio in Cash	0.6%	-
Portfolio Turnover (12 Months)	84.1%	-
Active Share	55.2%	-

PERFORMANCE

	Annualised						
	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)*	-8.03%	-6.60%	-8.03%	9.56%	10.64%	8.90%	10.23%
T. Rowe Price Australian Equity Fund – I Class (Net – AUD)**	-8.08	-6.74	-8.08	8.91	9.99	8.25	9.43
S&P/ASX 200 Total Return Index (AUD)	-6.35	-4.30	-6.35	9.44	9.77	8.50	9.32
Value Added (Gross) ¹	-1.68	-2.30	-1.68	0.12	0.87	0.40	0.91
Value Added (Net) ²	-1.73	-2.44	-1.73	-0.53	0.22	-0.25	0.11

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.

Index returns shown with gross dividends reinvested.

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

The Australian equity market fell in the first month of the year, representing its worst January performance since 2008. The market underperformed both developed and emerging markets for the month in local currency terms.

The top performing sectors for the month included energy, utilities, and materials, while the key underperforming areas were information technology, health care, and consumer staples. Oil prices continued to rebound during the month while iron ore prices also continued to strengthen as the Chinese authorities continued to ease policy to stabilize economic growth and the property market. Conversely, gold prices fell marginally. A combination of ‘higher for longer’ inflation and easing concerns over the growth impact of the omicron variant of COVID-19 led to a big jump in yields for U.S. Treasuries, with the 10-year bond yield rising 27 basis points to 1.78%. The Australian 10-year bond yield followed suit, up 22 basis points to 1.89% for the month. The Australian dollar fell by 3.2% against its U.S. counterpart.

PORTFOLIO HIGHLIGHTS

The T. Rowe Price Australian Equity Fund underperformed the benchmark in January. Good performances were posted by BHP, Harvey Norman, and Computershare. Notable underperformers included Megaport, Xero, and IDP Education.

The month was characterised by an aggressive sell-off in growth and higher multiple companies and a rapid rotation to value stocks, driven by concerns over higher inflation and rising interest rates. Unsurprisingly, given this backdrop, higher growth companies in the portfolio such as Megaport, Xero and IDP Education struggled and fell sharply during the month.

On the positive side, BHP performed strongly in a weak market. This was driven by a combination of fundamental improvement in demand in China for iron ore and a large re-weighting upward in the local index following the collapse of its dual-listed company structure. As a result, BHP yet again became the biggest stock in the Australian market, with an index weight of around 11%.

OUTLOOK

It has been a tumultuous start to 2022. In our view, the sell-off in January is a portent of what is likely to be a volatile year for markets. The market is pricing in an end to the pandemic and, with this, the prospect of higher inflation and higher interest rates. This led to a significant and rapid rotation from growth to value stocks over the last few months. Central banks are pivoting to fight inflation and/or withdraw emergency level liquidity.

While higher inflation and interest rates are a logical conclusion, this is very short-sighted, focusing on the here and now and not what happens tomorrow. As stimulus and liquidity are withdrawn and interest rates increase, in our view, it is almost inevitable that growth and inflation will slow. The only debate is by how much. Indeed, a number of leading indicators of economic growth have already rolled over. We think the risk of a central bank policy error (namely overtightening) is high, which could lead to the risk of a recession down the track.

Against this backdrop, we believe it is far better to prepare for what is likely to come (slowing growth) rather than what stares us in the face today (higher inflation and interest rates). In our view, taking this contrarian approach will enable us to take advantage of the sell-off in growth stocks and other high-quality businesses caught up in the rotation.

We moved to a cautious stance in our portfolio around six months ago and we maintain this stance, with a strong exposure to quality and more defensive names. However, more recently we have taken the opportunity to add to some growth companies that we believe are oversold based on the market’s near-term inflation fears and higher interest rates. Having taken profits on these positions during the course of 2021, we now have ample scope to increase our holdings here. We believe this sets up the portfolio to perform well once we move beyond the current market fears around interest rates and focus back on the key issue of slowing growth, which we believe will come to dominate markets as we move through 2022.

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CONTACT US

For more information about the Fund, please contact our Relationship Management team on +61 2 8667 5700 or visit www.troweprice.com

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 -0.10%
Total Assets	\$118,752,525 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.

Active Share is a holdings-based measure of active management representing the percentage of a portfolio's holdings that differ from those in its benchmark. Compared with tracking error, which measures the standard deviation of the difference in a manager's returns versus the index returns, Active Share allows investors to get a clearer understanding of what a manager is doing to drive performance, rather than drawing conclusions from observed returns. The greater the difference between the asset composition of a product and its benchmark, the greater the active share is.

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

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.

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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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