



AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Australian Equity Fund – I Class

As of 30 June 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	11.3	10.8
CSL	8.5	6.7
Coles	6.0	1.2
Rio Tinto	5.7	2.0
National Australia Bank	5.7	4.5
Goodman Group	4.8	1.6
Telstra	4.7	2.3
ResMed	4.1	0.6
Macquarie Group	3.9	3.1
Transurban	3.7	2.3

SECTOR EXPOSURE

	% of Fund	Fund vs. S&P/ASX 200 Total Return Index (AUD)
Materials	20.0	-3.7
Health Care	16.2	6.0
Financials	11.6	-16.3
Consumer Discretionary	9.6	3.2
Consumer Staples	9.3	4.1
Communication Services	8.4	4.3
Information Technology	7.1	4.3
Industrials & Business Services	5.7	-0.3
Real Estate	4.8	-1.5
Utilities	1.9	0.4
Energy	1.5	-4.5

PORTFOLIO CHARACTERISTICS

	Fund	S&P/ASX 200 Total Return Index (AUD)
Number of Issuers	31	200
Top 20 Issuers as Percent of Total	86.4%	62.7%
Percent of Portfolio in Cash	3.9%	-
Portfolio Turnover (12 Months)	104.8%	-
Active Share	54.4%	-

PERFORMANCE

	Annualised							Since Fund Inception
	One Month	Three Months	Year-to-date	One Year	Three Years	Five Years	Ten Years	
T. Rowe Price Australian Equity Fund – I Class (Gross – AUD)*	-6.04%	-10.94%	-12.80%	-8.34%	4.37%	6.32%	9.96%	9.23%
T. Rowe Price Australian Equity Fund – I Class (Net – AUD)**	-6.09	-11.08	-13.06	-8.89	3.75	5.68	9.18	8.44
S&P/ASX 200 Total Return Index (AUD)	-8.77	-11.90	-9.93	-6.47	3.34	6.83	9.29	8.51
Value Added (Gross) ¹	2.73	0.96	-2.87	-1.87	1.03	-0.51	0.67	0.72
Value Added (Net) ²	2.68	0.82	-3.13	-2.42	0.41	-1.15	-0.11	-0.07

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.

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 sharply in June, recording its worst monthly performance since March 2020. Over the month, Australian equities underperformed developed and emerging markets in local currency terms.

The best performing sectors for the month included consumer staples, energy, and health care while the key underperforming sectors were materials, financials, and information technology. Concerns over a slowing global economy and demand destruction saw oil prices pull back. Iron ore prices also fell sharply as China's zero-COVID policy continued to weigh negatively on economic activity and therefore demand for iron ore. Gold prices declined modestly. With U.S. inflation remaining higher than expected, 10-year U.S. Treasury bond yields rose by 13 basis points* to 2.98%. Similarly, Australian 10-year bond yields continued to sell-off, with yields rising by another 32 basis points to 3.66% in June. Concerns over slowing global growth saw the Australian dollar weaken against its U.S. counterpart.

PORTFOLIO HIGHLIGHTS

The T. Rowe Price Australian Equity Fund outperformed the benchmark in June. Good performances were posted by Computershare, ResMed, and Transurban. Notable underperformers included Oz Minerals, Allkem, and ALS.

Oz Minerals, and the mining sector as a whole, came under pressure as fears of a global slowdown hit commodity prices during the month. Commodity prices have pulled back from elevated levels but are still not discounting a significant economic slowdown. Oz Minerals was also hit by COVID-related absenteeism, weather issues that negatively impacted production, and higher costs.

Share in ResMed performed strongly as investors refocused on the market share opportunity due to the product recall of its major competitor, Phillips. With semiconductor supply becoming more readily available, the company is well placed, in our view, to ramp up its production of continuous positive airway pressure (CPAP) machines and fill the void caused by Phillips being out of the market. We expect ResMed will progressively accelerate its market share in coming quarters.

OUTLOOK

It is clear we have moved to a new phase of the current bear market. The market's focus is less about rising inflation or bond yields, and more about how much economic growth must slow, through the mechanism of higher central bank interest rates, to get inflation down to central bank targets. Collateral damage will be corporate earnings, which are expected to be significantly downgraded going forward. We believe this new market phase is also likely to be accompanied by a peak in bond yields. In this environment there will be few havens. We have already started to see the unravelling of the previous outperforming parts of the market, largely in value sectors, like mining and financials.

The good news in the current sell-off is the opportunity being presented in high quality and growth companies some of whom are trading at valuations we haven't seen in a number of years. Having previously moved to a more cautious stance in our portfolio, we are now taking advantage of the opportunity to add to quality and growth companies that we believe have been oversold. We took profits on these positions during the course of 2021, and now have ample scope to take these positions higher. This will likely set up the portfolio to perform well in the new phase of the market we have entered, which we believe will be dominated by earnings weakness, particularly from more cyclical sectors of the market. We expect quality and growth companies to perform well in this environment.

*A basis point is 0.01 percentage points.

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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	\$78,643,700 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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