



AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Global Equity (Hedged) Fund - I Class

As of 31 December 2020

Portfolio Manager:
R. Scott Berg
Joined Firm:
2002
Investment Experience:
18 Years




Silver[™]

Morningstar Analyst Rating[™]:
As of 17/03/2020



INVESTMENT OBJECTIVE

The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets, of developing countries.

TOP 10 HOLDINGS

	Country	Industry	% of Fund
Amazon.com	United States	Internet & Direct Marketing Retail	3.5%
Alibaba Group Holding China		Internet & Direct Marketing Retail	2.2
Alphabet	United States	Interactive Media & Services	2.0
Apple	United States	Technology Hardware, Storage & Peripherals	2.0
Facebook	United States	Interactive Media & Services	1.9
Evotec	Germany	Life Sciences Tools & Services	1.6
Morgan Stanley	United States	Capital Markets	1.5
AvalonBay Communities	United States	Equity Real Estate Investment Trusts (REITs)	1.3
Shopify	Canada	IT Services	1.2
Sea	Singapore	Entertainment	1.2

SECTOR EXPOSURE

	% of Fund	Fund vs. MSCI AC World Index ex Australia Hedged to AUD Net
Information Technology	22.0%	-0.2
Consumer Discretionary	15.6	2.5
Financials	15.4	2.3
Health Care	11.8	-0.0
Industrials & Business Services	9.1	-0.7
Communication Services	8.3	-1.1
Consumer Staples	5.2	-2.2
Materials	3.2	-1.4
Real Estate	2.4	-0.1
Utilities	1.7	-1.3
Energy	0.5	-2.5

PERFORMANCE

	One Month	Three Months	Year-to-date	One Year	Three Years	Since Fund Inception
T. Rowe Price Global Equity (Hedged) Fund - I Class (Gross - AUD)*	4.61%	15.48%	36.01%	36.01%	18.41%	20.44%
T. Rowe Price Global Equity (Hedged) Fund - I Class (Net - AUD)**	4.53	15.22	34.58	34.58	17.06	19.06
MSCI All Country World Index ex Australia Hedged to AUD Net***	3.76	12.21	11.23	11.23	8.68	12.70
Value Added (Gross) ¹	0.85	3.27	24.78	24.78	9.73	7.74
Value Added (Net) ²	0.77	3.01	23.35	23.35	8.38	6.36

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.

*** Index returns shown with reinvestment of dividends after the deduction of withholding taxes.

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

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

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COUNTRY DIVERSIFICATION (TOP 10) MSCI AC World

	% of Fund	Index ex Australia Hedged to AUD Net
United States	51.9%	58.1%
Germany	7.1	2.6
United Kingdom	6.5	3.8
China	6.4	5.3
India	4.6	1.3
Canada	2.6	2.7
Switzerland	2.0	2.7
Netherlands	1.4	1.1
Philippines	1.4	0.1
France	1.3	3.0

MARKET REVIEW

In Australian dollar terms, global equities were modestly negative in December. Market sentiment was generally positive due to the rollout of the first highly effective coronavirus vaccines, a solidifying new fiscal stimulus plan in the U.S., and a post-Brexit trade deal in Europe; however, a stronger Australian dollar versus other major currencies drove modest losses for AUD-based investors.

U.S. stocks fell modestly in December in Australian dollar terms but produced strong gains in local terms. Investors were heartened by two different coronavirus vaccines that received emergency use authorization from the Food and Drug Administration. Distribution of the initial doses to different segments of the U.S. population was underway by the end of the year. Investors also welcomed—after months of uncertainty and a slow narrowing of differences between the two major political parties—a USD \$900 billion pandemic-related fiscal relief package as part of a larger spending bill that funds the federal government through the end of September 2021.

Developed European markets fell in Australian dollar terms but were positive in local currency terms. Positive events included the UK-European Union (EU) trade accord, an extension of ultra-loose monetary policy by the European Central Bank, and the approval of a U.S. fiscal stimulus package. However, the emergence of a new variant of the coronavirus raised the prospect of a slower economic recovery. The EU passed an historic budget of EUR 1.8 trillion, including a EUR 750 billion coronavirus recovery fund, after Hungary and Poland dropped their objections to tying payments to rule of law principles. In the UK, the government extended its strictest restrictions across most of England as coronavirus data continued to deteriorate and a new, more transmissible, variant of the virus.

Developed Asian shares were mixed, with Australian shares posting gains. Japanese shares lost ground in AUD terms but were positive in local terms. The government announced a record budget for fiscal year 2021 to address coronavirus response initiatives, social welfare, and additional military spending. The Bank of Japan left rates unchanged and extended corporate finance support measures through September 2021.

Emerging markets stocks strongly outperformed developed market equities. Latin American names were among the strongest performers. In Brazil, stronger-than-expected GDP in the third quarter of 2020 helped support stocks. Chile also gained significant ground following the approval of pension withdrawal bill that will allow participants to withdraw some of their pension balances on an emergency basis, which could help support consumption. Emerging Europe was broadly positive, with Turkey one of the strongest performers as the lira strengthened and the central bank took decisive action to tighten monetary policy in order to control inflation. Emerging Asia produced solid gains but lagged some other emerging regions. Despite robust economic data, Chinese shares were negative, though A shares were positive, as concerns about U.S. investment restrictions against China and stricter oversight for fintech companies dampened sentiment.

Sector performance in the MSCI AC World Index ex Australia Hedged to AUD Net was broadly negative. Real estate, utilities, and industrials and business services were the weakest performers, while information technology and materials posted the highest returns.

FUND REVIEW

The fund outperformed the MSCI AC World Index ex Australia Hedged to AUD Net for the one-month period ended December 31, 2020. Evotec

PORTFOLIO CHARACTERISTICS

	Fund	MSCI AC World Index ex Australia Hedged to AUD Net
Number of Issuers	158	2,832
Top 20 Issuers as Percent of Total	29.2%	21.9%
Percent of Portfolio in Cash	4.8%	–
Portfolio Turnover (12 Months)	99.8%	–
Active Share	77.5%	–

was the largest relative contributor in the portfolio. Shares of Europe's largest contract research organization (CRO) spiked on news that the company had achieved key milestones in its collaboration with Bristol Myers Squibb, which will trigger milestone payments, additional research funding for further development of the programs, and could potentially result in success-based payments and royalties, which should be accretive to earnings. We have high conviction in Evotec's ability to produce double-digit earnings growth, driven by secular tailwinds and deeper customer penetration as end-market businesses choose to adopt the firm's services more often. At the sector level, stock selection in financials contributed the most to relative performance, led by Goldman Sachs, Morgan Stanley, and Wells Fargo. Conversely, information technology names detracted, especially our positions in Apple, Salesforce.com, and Splunk.

OUTLOOK

Global equities advanced in the fourth quarter as investors weighed the worsening coronavirus pandemic against hopes of a potential coronavirus vaccine. As sentiment has risen, however, we believe it makes sense to be prudent in terms of portfolio positioning. To be clear, we are optimistic as we look out over one to two years, but we are seeing what has turned out to be pretty severe second and even third waves of the virus across much of Europe, as well as meaningfully growing case loads across much of the U.S. Vaccine developments are a clear positive, but the market's extremely positive reaction to the prospect of a post-coronavirus world creates some near-term uncertainty and risk.

Companies have used the health crisis as an opportunity to accelerate initiatives aimed at improving fundamental business practices and furthering digital and cloud adoption. Over time, we think these types of initiatives will result in better-run organizations with improved operating margins. Interest rates remain at ultra-low levels as central banks around the globe continue to be extremely accommodative during the pandemic, an environment that will likely persist for the foreseeable future. We should also see multi-year growth in corporate earnings coming off depressed 2020 levels, which should be positive for equities.

However, markets have recovered not just what they lost early in the crisis; they are at all-time highs despite the economy facing potential headwinds due to restrictions aimed at controlling virus spread. Progress on SARS-CoV-2 vaccine development has been unequivocally more positive than most expected in terms of both the speed of progress and their efficacy in preventing infections, but the virus continues to be highly disruptive, and production and distribution complexities mean we are still likely months away from achieving an adequate level of protection against the virus on a global scale.

In what remains a low-growth world, we believe real profit generation will continue to matter for investors, as will the durability of a business in a world of accelerating disruption. In the current environment, we think the key is to maintain portfolio breadth (having a balanced portfolio of holdings), diversification, and to apply risk control and active stock-decision making as we work through what is going to be an uneven path of recovery and improvement. Valuations are important, and we need to manage pockets of excessive optimism along with any uncertainty that arises with respect to U.S. policymaking.

It is also important to maintain a time horizon that allows for stocks to compound higher returns over the long term. Even though some disruptive growth stocks appear expensive when looking at their recent performance and near-term projections, we still see strong growth prospects and attractive valuations for some of these companies when looking out over a two- to three-year time horizon. We believe this nuanced approach to valuation is being overlooked by many investors and will help us provide better value add for our clients over the long term.

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	ETL0312AU
Inception Date	5 April 2016
Benchmark	MSCI All Country World Index ex Australia Hedged to AUD Net
Management Fees [^]	0.96% pa
Distribution	Annually
Buy/Sell	Buy +0.25% / Sell -0.20%
Total Assets	\$525,803,930 AUD

[^]The Management Fee for the T.Rowe Price Global Equity (Hedged) Fund - I Class is 0.96% 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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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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