



## AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

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

As of 31 January 2024

Portfolio Management Team <sup>^</sup> :	Managed Fund Since:	Joined Firm:
Quentin Fitzsimmons	2023	2015
Scott Solomon	2023	2005

### 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 Inflation-Linked Gilt	22-Mar-2026	5.8
United Kingdom Inflation-Linked Gilt	22-Mar-2024	5.7
New Zealand Government Bond	15-May-2051	2.8
Thailand Government Bond	12-Mar-2028	2.6
U.S. Treasury Notes	30-Apr-2024	2.2
Colombian TES	9-Feb-2033	2.1
Bonos de la Tesoreria de la Republica en pesos	1-Apr-2033	2.0
Mexican Bonos	29-May-2031	2.0
Mexican Bonos	31-May-2029	1.9
Republic of Italy Government International Bond	17-Oct-2024	1.9

### PERFORMANCE

	One Month	Three Months	Six Months	Year-to-date	One Year	Three Years	Five Years	Since Share Class Inception
T. Rowe Price Dynamic Global Bond Fund – S Class (Net – AUD) <sup>*</sup>	0.05%	-1.00%	-0.39%	0.05%	-3.71%	-0.77%	1.24%	1.18%
Bloomberg AusBond Bank Bill Index (AUD)	0.37	1.09	2.15	0.37	4.00	1.83	1.44	1.44
Value Added (Net) <sup>3</sup>	-0.32	-2.09	-2.54	-0.32	-7.71	-2.60	-0.20	-0.26

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

Source for performance: T. Rowe Price.

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

<sup>2</sup>Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

<sup>3</sup>The Value Added is shown as the Fund (Net) minus its Index.

<sup>^</sup>Effective 31 March 2023, Scott Solomon and Quentin Fitzsimmons assumed portfolio co-management responsibility for the fund.

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.

### SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	54.95
Corporate (including High Yield)	30.32
Securitized	3.48
Equity	0.41
Cash & Cash Equivalents	10.85

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

	Fund
Number of Holdings	211
Number of Countries	40
Weighted Average Maturity	1.64 Years
Weighted Average Effective Duration	0.49 Years
Weighted Average Spread Duration	2.23 Years
Average Credit Quality	A-
Yield to Maturity (including hedging)	4.75%

Annualised

**BLOCK BOND ALLOCATION (ISSUE CURRENCY)**

	% of Fund
Europe	24.1
North America	40.3
Latin America	10.3
Pacific Ex Japan	13.9
Japan	0.0
Middle East & Africa	0.8
Reserves	10.5

**FUND REVIEW**

The portfolio reduced duration over the month but ended the period with a broadly neutral bias.

In the U.S., we added to our overall short duration bias mainly via the long end of the U.S. Treasury curve due to the prospect of increased fiscal supplies and strong economic data. We also held our long duration bias in the short end of the curve. Broadly, we maintained a steepening bias on the yield curve.

In the eurozone, we broadly held a short duration bias over the period on expectations of more supplies due to fiscal concerns. This was mainly via maintaining our short duration bias in Germany. However, we broadly maintained a steepening bias on the yield curve.

In the UK, we pivoted to a neutral duration exposure while maintaining a steepening bias. Strong economic data will prompt policymakers to maintain the higher-for-longer narrative on policy interest rates.

We added a long duration bias to China as policymakers took measures to stem the widening economic slowdown. We closed our short duration bias in Japan earlier in the period and moved to a modest long duration exposure on expectations that the central bank will be patient in exiting negative interest rates to avoid policy discontinuity. Elsewhere, we trimmed our long duration exposures in Australia as the central bank is likely to keep interest rates on hold.

In currencies, we broadly held our short position on the U.S. dollar. Broadly, we remain bearish due to our view that likely Federal Reserve rate cuts will undermine the dollar in the medium term. We increased our long holdings in the Chilean peso, Mexican peso, Norwegian krone, and Romanian leu on expectations that a benign risk market environment will prove supportive to these currencies. However, we initiated a short exposure in the Taiwanese dollar noting a worsening regional outlook.

Within sectors, we increased our risk-seeking positions in the portfolio in the backdrop of a constructive outlook for risk markets. At month-end, we removed our credit protection on U.S. high yield and increased our exposure to European high yield, recognizing the supportive risk environment. We also increased our holdings on investment-grade corporate debt.

**PORTFOLIO PERFORMANCE**

Global government bonds reversed some gains in January after the “almost everything rally” that was a defining characteristic of global markets in the final quarter of 2023. Within duration management, our short duration bias in select markets supported performance as yields broadly rose. A U.S. curve steepening position also added value as the curve steepened over the month, led by longer-dated maturities as the U.S. Treasury increased the size of its quarterly issuance of longer-term Treasuries for a third straight time. Our short duration stances in Canada and Germany also supported performance amid the broader rising yield environment. However, a long duration bias in Australia and New Zealand weighed on performance.

In foreign exchange markets, the U.S. dollar gained broadly in January as the prospect of U.S. interest rate cuts being delayed supported the currency. As a result, our long positions in the euro and the Australian dollar weighed on performance. A long position in the Japanese yen also detracted as expectations for a hawkish pivot were reduced following a 7.4 magnitude earthquake in Japan, prompting the Bank of Japan to keep interest rates in negative territory at a policy meeting. However, a short position in the Taiwanese dollar and the Chinese yuan offset some losses.

**CREDIT QUALITY DIVERSIFICATION<sup>1</sup>**

	% of Fund
AAA	15.4
AA	13.8
A	16.5
BBB	34.2
BB	7.1
B	1.0
C	0.1
CCC	0.0
Default	0.7
Not Rated	0.7
Cash	10.5

Our risk-hedging positions had a negative impact on performance as equity markets advanced during the period and spreads tightened. Within sectors, our short exposures to mortgage-backed securities via index and U.S. high yield via credit derivatives detracted from performance against the backdrop of improved risk appetite. However, our select exposures to investment-grade and high yield bonds contributed to performance.

**OUTLOOK**

We broadly maintained a neutral duration bias in the portfolio. Notwithstanding the significant loosening in financial conditions caused by the recent decline in government bond yields, investors have priced in a significant number of interest rate cuts over 2024. While we are entering an environment of easier monetary policy, economic data are not weakening fast enough to justify aggressive monetary policy easing as evident from resilient labor markets. However, increased fiscal issuance should continue to put upward pressure on longer-maturity bond yields. As a result, we prefer to hold a short duration bias at the longer-end of the curve at the portfolio level, led by the U.S. and Europe.

In currencies, while we broadly held our short U.S. dollar bias, we selectively increased our exposure to currencies with a higher degree of correlation to risk markets. The end of the global monetary policy tightening cycle has generated a benign environment, providing a tailwind for currencies including the Mexican peso and the Romanian leu. In credit markets, resilient economic data and improving financial market liquidity conditions is supportive of the broader markets. As a result, we increased our holdings on short-dated high quality corporate debt. This allocation provides some durable yield and returns in comparison with cash rates. However, we continue to maintain convexity in our risk-hedging positions. This will aim to capture any sharp downward moves on single data points while limiting losses during risk market rallies.

Investors are grappling with a combination of data-dependent policymakers during a time of a broadly resilient U.S. economy, struggling economies in China and Europe and increased fiscal issuance. In this climate, we believe that it's important to be tactical and keep a liquid profile in the portfolio. This should help give us flexibility to adapt to changes.

<sup>1</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.

**FUND INFORMATION**

Minimum Investment Amount	\$50,000 AUD
APIR	ETL2511AU
ARSN	167 869 561
ISIN	AU60ETL25110
Inception Date	22 January 2019
Benchmark	Bloomberg AusBond Bank Bill Index (AUD)
Management Fees and Costs <sup>^</sup>	0.59% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.15% / Sell -0.15%

<sup>^</sup>The Management Fee for the T. Rowe Price Dynamic Global Bond Fund is 0.59% 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.

Credit ratings for the securities held in the fund are provided by Moody's, Standard & Poor's and Fitch and are converted to the Standard & Poor's nomenclature. A rating of "AAA" represents the highest-rated securities, and a rating of "D" represents the lowest-rated securities. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated (NR). T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps and sovereign securities. The fund is not rated by any agency.

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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