



T. Rowe Price

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Global Focused Growth Equity Fund

– O Class

As of 31 January 2024



Portfolio Manager:

David Eiswert, CFA

Joined Firm:

2003

Investment Experience:

23 Years

INVESTMENT OBJECTIVE

The Fund's objective is to increase the value of the Fund's units, over the long term, through growth in the value of the Fund's investments by investing primarily in a diversified portfolio of stocks of companies that have the potential for above average and sustainable rates of earnings growth. The companies may be anywhere in the world, including emerging markets.

TOP 10 HOLDINGS (%)

	Country	Industry	% of Fund
Amazon.com	United States	Broadline Retail	5.6%
Microsoft	United States	Software	5.2
NVIDIA	United States	Semiconductors & Semiconductor Equipment	4.3
Eli Lilly and Co	United States	Pharmaceuticals	4.1
Apple	United States	Technology Hardware, Storage & Peripherals	3.1
Charles Schwab	United States	Capital Markets	3.0
London Stock Exchange	United Kingdom	Capital Markets	3.0
Daiichi Sankyo	Japan	Pharmaceuticals	2.4
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductors & Semiconductor Equipment	2.2
Danaher	United States	Life Sciences Tools & Services	2.1

SECTOR EXPOSURE (%)

	% of Fund	Fund vs. Benchmark
Information Technology	30.4%	6.6
Health Care	16.8	5.3
Financials	14.4	-1.3
Consumer Discretionary	13.2	2.3
Industrials & Business Services	7.6	-3.1
Energy	6.1	1.6
Communication Services	5.3	-2.3
Consumer Staples	2.7	-4.0
Utilities	1.3	-1.3
Materials	1.2	-2.6
Real Estate	0.0	-2.2

PERFORMANCE

	One Month	Three Months	Year-to-date	One Year	Annualised Three Years	Since Inception
T. Rowe Price Global Focused Growth Equity Fund – O Class (Net – AUD) ¹	4.07%	10.77%	4.07%	25.13%	6.25%	9.51%
MSCI All Country World ex-Australia Index Net (unhedged in AUD) ²	3.87	10.21	3.87	22.55	11.53	12.08

Past performance is not a reliable indicator of future performance.

Source for performance: T. Rowe Price.

¹ 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.

² Index returns shown with reinvestment of dividends after the deduction of withholding taxes.

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

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COUNTRY DIVERSIFICATION (TOP 10)

MSCI All Country
World ex-
Australia Index Net
(unhedged in
AUD)

	% of Fund	
United States	66.0%	64.1%
Japan	5.0	5.7
Netherlands	3.7	1.2
Germany	3.5	2.1
United Kingdom	3.0	3.6
Canada	2.7	2.9
India	2.5	1.8
Taiwan	2.2	1.7
Hong Kong	1.7	0.5
Spain	1.7	0.6

MARKET REVIEW

In Australian dollar terms, global equities displayed positive returns in January, though markets were volatile as stronger-than-expected economic data in the U.S. put high hopes for 2024 rate cuts in doubt, investors appeared to take profits from 2023 big winners, and geopolitical tensions lingered. A weaker Australian dollar versus other major currencies helped lift returns for Australian dollar-based investors.

U.S. stocks delivered positive returns. In the early days of the month, equities struggled as strong economic data prompted investors to temper their expectations for aggressive Federal Reserve interest rate cuts in 2024. As the month progressed, shares were lifted by generally favorable corporate earnings and by renewed investor interest in companies expected to benefit from artificial intelligence. However, stocks tumbled on the last day of the month, as Federal Reserve policymakers held short-term interest rates steady and gave no indications that they were on the verge of reducing rates.

Developed European stocks advanced amid expectations that central banks could soon start to lower interest rates in the region. The European Central Bank (ECB) left its key deposit rate at a record high of 4%, as expected. A more dovish outlook on the economy—the meeting statement said “risks to economic growth remained tilted to the downside”—and a softer tone to comments by ECB President Christine Lagarde raised hopes of a shift to easier policy. Economic data indicated that growth in the eurozone and the UK was more resilient than expected. The euro area avoided a recession in the final quarter of last year as growth in Italy and Spain offset a decline in Germany and stagnation in France. Overall gross domestic product rose 0.1% sequentially after flatlining in the July–September period.

Developed Asian markets gained ground. Equities in Japan had a strong start to 2024, continuing the solid performance seen last year. The monetary policy backdrop remained highly accommodative—and investors were forced to reassess the likelihood that the Bank of Japan would end its negative interest rate policy in the near term as a deadly earthquake struck Japan’s Noto Peninsula at the beginning of the month. Yen weakness also helped prop up returns for local investors.

Emerging markets were broadly negative and meaningfully underperformed developed market peers. In emerging Asia, several markets declined, dragged down by losses in China as the economy remained sluggish and the property market remained in distress. Late in the month, the Chinese vice premier called upon government agencies to take steps to stabilize the market and support listed Chinese companies. Latin American markets were also broadly negative. Conversely, emerging Europe delivered mostly positive returns, helped by a strong rally in Turkey as central bank officials raised short-term interest rates from 42.5% to 45.0% and signaled that they felt rates were high enough to lead to disinflation—a decline in the rate of inflation.

Sector performance in the MSCI All Country World Index ex Australia was mostly positive. Information technology, communication services, and health care were the strongest performers, while materials and real estate were the only sectors that lost ground.

FUND REVIEW

The fund outperformed the MSCI All Country World Index ex Australia Net for the one-month period ended January 31, 2024. NVIDIA was the largest relative contributor for the month as the leading computer graphics processor unit designer advanced strongly in January. Shares rose with

PORTFOLIO CHARACTERISTICS

MSCI All
Country World
ex-Australia
Index Net
(unhedged in AUD)

	Fund	
Number of Issuers	80	2,782
Top 20 Issuers as Percent of Total	52.6%	26.1%
Percent of Portfolio in Cash	1.0%	–
Portfolio Turnover (12 Months)	100.2%	–
Active Share	73.7%	–

other semiconductor-related names amid continued exuberance surrounding generative artificial intelligence (AI), while a slate of new product launches also helped lift the stock. We continue to have high conviction in NVIDIA, as its design offerings have become a trusted gold source for developers, and we think the company’s competitive positioning remains strong and its dominance in the ability to support AI functionality should help drive a long runway for growth. At the sector level, stock selection in information technology contributed to relative returns the most, especially our positions in NVIDIA, Advanced Micro Devices, and ASML Holding. On the negative side, holdings in financials hurt relative results including our positions in Charles Schwab, HDFC Bank, and London Stock Exchange.

OUTLOOK

While 2023 was optically a strong year for equity markets and investor sentiment, it was notoriously concentrated, with only a handful of mega-cap U.S. technology stocks accounting for a large percentage of all global equity returns. This implies there may be opportunity in segments of the market that have been on the wrong side of narrow investor sentiment, specifically where we see insights around industry- and stock-specific improving economic return acceleration in 2024–2025.

We believe the lack of a major credit event has created unsynchronized cycles across different companies and sectors, breaking apart traditional market correlations and allowing us to be carefully contrarian and focus on stock picking in a multitude of areas. We think freight, factory automation, housing, PC-related semiconductors, bioprocessing, and select consumer-oriented businesses are poised for acceleration as we move further into 2024, and those are areas where we continue to find idiosyncratic ideas for the portfolio. We believe many of the businesses we own are either accelerating now or poised to accelerate, but we also acknowledge that we have less conviction in where the economy is headed in the short term as we are likewise seeing signs of deceleration in industrials, in the consumer, and in select mega-cap technology, all areas where we are carefully managing our exposures.

Our bigger picture view of the world is largely unchanged. Our base case is for a sticky soft landing whereby inflation continues to moderate but remains higher than it was pre-COVID. While messaging from the Federal Reserve suggests we are heading toward some level of monetary easing, we still expect interest rates to remain higher than they were pre-COVID. We are also mindful of the possibility for inflation to reaccelerate, likely driven by energy. We think that is a bigger risk than a recession at this point, and it is motivating our desire to have a more balanced portfolio across sectors and factors.

China has continued to disappoint as the nation’s macro environment has meaningfully deteriorated and policy uncertainty has led many investors to largely avoid direct exposure to the country. We think there are valuable franchises in China that we want to own, but we have to manage the positions for risk because of the heightened uncertainty around policy. We’re trying to take China risk in the portfolio with an arm’s length approach through areas such as luxury where we think the downside is supported. While China has been challenging on a number of fronts, there are other areas within emerging markets that look more interesting, especially given the likelihood that we are moving closer to a fed funds rate cutting cycle, which historically is positive for emerging countries.

We continue to believe there are ample opportunities for idiosyncratic alpha and are being open-minded about where those opportunities exist. While the market may appear to be on a relatively stable upward trajectory, we are conscious of the need to create balance in the portfolio during a period of ongoing uncertainty and to weigh the addition of contrarian ideas against any potential risk.

CONTACT US

For more information about the Fund, please contact our Relationship Management team on 02 8667 5700.

FUND INFORMATION

APIR	ETL9704AU
Inception Date	21-Jul-2020
Benchmark	MSCI All Country World ex-Australia Index Net (unhedged in AUD)
Management Fees and Costs*	0.10% p.a.
Distribution	Annually
Buy/Sell	Buy +0.15% / Sell -0.10%
Total Assets (AUD)	\$94,234,169 AUD

* The Management Fee for the T. Rowe Price Global Focused Growth Equity Fund - O Class is 0.10% p.a. and the Indirect Cost is 0.00% p.a. The indirect costs component is based on a reasonable estimate of the costs for the current financial year to date, adjusted to reflect a 12 month period. 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.

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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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