T.RowePrice®
INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

# T. Rowe Price Global Equity Fund – S Class

*As of 31 October 2020*

**Portfolio Manager:**
R. Scott Berg

**Joined Firm:**
2002

**Investment Experience:**
17 Years

## 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 | 3.4% |
| Alibaba Group Holding | China | Internet & Direct Marketing Retail | 3.2 |
| Alphabet | United States | Interactive Media & Services | 2.5 |
| Facebook | United States | Interactive Media & Services | 2.1 |
| Tencent Holdings | China | Interactive Media & Services | 1.5 |
| FedEx | United States | Air Freight & Logistics | 1.4 |
| Evotec | Germany | Life Sciences Tools & Services | 1.4 |
| Morgan Stanley | United States | Capital Markets | 1.2 |
| NextEra Energy | United States | Electric Utilities | 1.2 |
| Danaher | United States | Health Care Equipment & Supplies | 1.2 |

## SECTOR EXPOSURE (%)

| | % of Fund | Fund vs. MSCI AC World Index ex Australia Net (AUD) |
|---|---|---|
| Information Technology | 21.0% | -0.5 |
| Financials | 17.0 | 4.7 |
| Consumer Discretionary | 15.7 | 2.5 |
| Health Care | 12.1 | -0.2 |
| Industrials & Business Services | 9.6 | -0.1 |
| Communication Services | 8.9 | -1.0 |
| Consumer Staples | 5.8 | -2.1 |
| Materials | 4.0 | -0.5 |
| Utilities | 2.3 | -0.9 |
| Real Estate | 1.7 | -1.0 |
| Energy | 0.6 | -2.1 |

## PERFORMANCE

| | One Month | Three Months | Six Months | Year-To-Date | One Year | Annualized Since Share Class Inception 22 Jan 2019 |
|---|---|---|---|---|---|---|
| T. Rowe Price Global Equity Fund – S Class (Net – AUD)[*] | 2.26% | 6.35% | 19.02% | 22.17% | 27.26% | 25.86% |
| MSCI All Country World Index ex Australia (unhedged) Net (AUD) | -0.46 | 2.36 | 5.89 | -0.79 | 3.19 | 11.51 |
| Value Added (Net)[**] | 2.72 | 3.99 | 13.13 | 22.96 | 24.07 | 14.35 |

**Past performance is not a reliable indicator of future performance.**
Source for performance: T. Rowe Price.
[*]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.
[***]The Value Added is shown as the Fund (Net) minus its Index.

## COUNTRY DIVERSIFICATION (TOP 10)

| | % of Fund | MSCI AC World Index ex Australia Net (AUD) |
|---|---|---|
| United States | 55.1% | 59.0% |
| China | 6.4 | 5.8 |
| United Kingdom | 6.3 | 3.5 |
| Germany | 5.8 | 2.4 |
| India | 4.6 | 1.1 |
| Canada | 2.4 | 2.7 |
| Sweden | 2.1 | 0.9 |
| France | 2.0 | 2.8 |
| Switzerland | 1.8 | 2.8 |
| Philippines | 1.5 | 0.1 |

## PORTFOLIO CHARACTERISTICS

| | Fund | MSCI AC World Index ex Australia Net (AUD) |
|---|---|---|
| Number of Issuers | 159 | 2,844 |
| Top 20 Issuers as Percent of Total | 29.8% | 22.9% |
| Percent of Portfolio in Cash | 1.1% | – |
| Portfolio Turnover (12 Months) | 96.5% | – |
| Active Share | 77.9% | – |

**MARKET REVIEW**

In Australian dollar terms, global equities lost ground in October amid surging coronavirus cases in the U.S. and Europe, lack of additional stimulus in the U.S., and uncertainty over the upcoming U.S. election.

U.S. stocks were down, marking the September-October period as the first back-to-back losing months since February-March. Surging coronavirus cases in Europe and other parts of the world weighed heavily on stocks at the end of the month, and daily cases in the U.S. exceeded records set back in the spring and summer. The inability of Congress to pass additional virus relief stimulus was another headwind that pressured equity markets. Differences between the Trump administration and House Democrats narrowed during the month, though a deal remained elusive. Political uncertainty ahead of the November 3 elections also weighed on sentiment.

Developed European stock markets were broadly negative, as investors worried that lockdowns aiming to control the coronavirus' spread could push the eurozone economy into a double-dip recession. Political uncertainty in the U.S. ahead of elections also weighed on sentiment. Although the eurozone economy rebounded at a faster-than-expected rate in the third quarter, economists and policymakers focused on forward-looking data that showed declines in consumer and business confidence. German shares posted the deepest losses.

Developed Asian markets held up better than European stocks but were narrowly mixed. New Zealand posted positive returns, while Australian shares also rose. Singapore exhibited the worst returns in the region. Japanese shares were volatile but ended slightly higher. The Japanese government is looking into a third stimulus package to boost consumption, and the Bank of Japan lowered its economic growth outlook for the remainder of fiscal year 2020.

Emerging markets were a bright spot during the period, posting solid returns and outperforming developed markets, mainly driven by robust returns in Asia. Within Asia, Chinese equities outperformed, helped by the release of data showing a sustained recovery in the country's economy. The relatively small markets of Indonesia and the Philippines also outperformed. Latin American markets were mostly positive, with Mexico performing the strongest following the unveiling of an infrastructure plan which encompasses a number of public-private partnerships in sectors including communication, transportation, energy and water. Emerging European markets fared the worst. In Turkey, geopolitical tensions weighed on the currency, including a regional conflict between Armenia and Azerbaijan. Russian equities also underperformed due to oil price weakness.

Sector performance in the MSCI All Country World ex Australia Index was mixed. Energy, health care, and information technology were the worst performers, while communication services and utilities performed best.

**FUND REVIEW**

The fund outperformed the MSCI All Country World Index ex-Australia for the one-month period ended October 31, 2020. Snap was the largest relative contributor in the portfolio. Snap, which owns social media app Snapchat, spiked on extremely impressive results, with much better than expected revenue and earnings driven by a steep rebound in advertising.

We think Snap represents a uniquely compelling opportunity given the platform's growing popularity among Generation Z, nascent monetization, and the firm's solid plans to increase user growth and revenue through investments in its salesforce as well as new Discover content and Augmented Reality. At the sector level, stock selection in communication services contributed the most to relative returns, led by Snap, Tencent Holdings, and Alphabet. Conversely, holdings in materials hurt relative results, most notably our position in Symrise.

**OUTLOOK**

We think we are now at a point where tactically it makes sense to be more prudent than two or three months ago as there are still a number of significant risks for investors to contend with. Firstly, we are seeing a resurgence of coronavirus cases in Europe and an extended first wave in many places in the U.S. It has proven more difficult to keep the spread at bay and, even though there are many vaccine candidates in development utilizing diverse technologies and platforms, it is far from a certainty that we will have an effective near-term solution. Secondly, China-U.S. tensions are flashing amber and could worsen ahead of the U.S. presidential election in November. Thirdly, the election itself is a difficult call at this point. A Biden victory would likely usher in a less business friendly regulatory and tax regime, but we would also presumably experience some geopolitical calming. Fourthly, the growing possibility of a hard Brexit, which could be viewed as a negative modifier if it were to occur, is another risk that needs to be monitored.

The breathtaking amount of fiscal and monetary stimulus from governments and central banks in both developed and emerging economies since March has created a firmly entrenched narrative that we are in an extremely low interest rate environment for longer, in a world with extremely low growth. We have seen a clear demarcation of winners and losers with the ongoing health crisis rapidly accelerating what were already durable secular trends, and with limited alternatives for investors, more money has been chasing those winners. Concurrently, we are seeing other investor behaviors and broad sets of data points that suggest some areas of the market could be early in a bubble. These prospects just raise the complexity of the environment we are in and re-emphasizes the importance of focusing on the portfolio stock by stock.

With these increasing risks creating a higher degree of difficulty in navigating markets, we are maintaining a broadly balanced portfolio with sector exposures relatively neutral to our core benchmark. We still own a blend of structural winners, durable compounders, and higher yielding names that held up well during the March equity selloff but lagged on the way back up. The continued strong performance of developed equity markets relative to their emerging markets counterparts has led to our EM weighting trending modestly lower. However, in a low growth world, we continue to think investing in the fast-growing emerging market countries, such as India, Indonesia, Philippines, Vietnam, and Peru, will be more important than ever.

While we have a more cautious near-term outlook for global equities, we continue to like what we own in the portfolio and remain more constructive over the medium term given the scale of the stimulus efforts around the globe, which should further support risk assets. However, there are still significant and unpredictable risks to manage, and we think a measure of diversification remains key. With volatility likely to be an ongoing feature of markets near term, we will remain focused on our holdings and make use of stock specific opportunities to upgrade the portfolio when they arise.

## 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 | ETL7238AU |
| ARSN | 121 250 691 |
| ISIN | AU60ETL72385 |
| Inception Date | 22 January 2019 |
| Benchmark | MSCI All Country World Index ex Australia (unhedged) Net (AUD) |
| Management Fees | 1.20% p.a. |
| Indirect Costs^ | 0.00% p.a. |
| Distribution | Annually |
| Buy/Sell | Buy +0.25% / Sell -0.20% |

^Indirect costs are calculated and incorporate estimated amounts with reference to the relevant costs incurred during financial year ended 30 June 2019. Please refer to the Product Disclosure Statement for further details.
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.

Source for MSCI data: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI.

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

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.

## IMPORTANT INFORMATION

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