



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

As of 30 September 2021



**Portfolio Manager:**

Arif Husain

**Joined Firm:**

2013

**Investment Experience:**

25 Years



Morningstar Analyst Rating™:  
As of 22/02/2021



### 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
Bundesobligation	10 Apr 2026	7.9
Deutsche Bundesrepublik Inflation Linked Bond	15 Apr 2026	7.2
Brazil Notas do Tesouro Nacional Serie F	01 Jan 2027	4.8
United Kingdom Inflation-Linked Gilt	22 Mar 2024	4.0
Japan Government Twenty Year Bond	20 Sep 2022	3.8
Japan Government Ten Year Bond	20 Sep 2030	3.6
Korea Treasury Bond	10 Mar 2024	3.6
Philippine Government International Bond	26 Nov 2022	3.5
Bonos de la Tesoreria de la Republica en pesos	01 Mar 2026	3.1
Indonesia Treasury Bond	15 May 2029	2.6

### PERFORMANCE

	One Month	Three Months	Year-to-date	One Year	Three Years	Five Years	Since Fund Inception
T. Rowe Price Dynamic Global Bond Fund – I Class (Gross – AUD)*	0.62%	0.00%	1.67%	4.04%	3.90%	2.65%	4.09%
T. Rowe Price Dynamic Global Bond Fund – I Class (Net – AUD)**	0.59	-0.10	1.36	3.63	3.49	2.24	3.66
Bloomberg AusBond Bank Bill Index (AUD)	0.00	0.01	0.02	0.04	0.79	1.20	1.61
Value Added (Gross) <sup>4</sup>	0.62	-0.01	1.65	4.00	3.11	1.45	2.48
Value Added (Net) <sup>5</sup>	0.59	-0.11	1.34	3.59	2.70	1.04	2.05

**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.

<sup>1</sup> Issuer exposure is derived using the portfolio's direct holdings and does not take into account derivative exposure. Consult the portfolio holdings report for a listing of all securities owned in the portfolio.

<sup>2</sup> Calculated using the portfolio's direct holdings plus exposure from derivative instruments.

<sup>3</sup> Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

<sup>4</sup> The Value Added is shown as the Fund (Gross) minus its Index.

<sup>5</sup> The Value Added is shown as the Fund (Net) minus its Index.

### SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	74.52
Corporate (including High Yield)	11.60
Securitized	4.04
Equity	0.20
Cash & Cash Equivalents	9.63

### PORTFOLIO CHARACTERISTICS<sup>1,2,3</sup>

	Fund
Number of Holdings	101
Number of Countries	42
Weighted Average Maturity	5.48 Years
Weighted Average Effective Duration	-1.05 Years
Weighted Average Spread Duration	-0.90 Years
Average Credit Quality	A
Yield to Maturity (including hedging)	0.64%

Annualised

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**BLOCK BOND ALLOCATION (ISSUE CURRENCY)<sup>1</sup>**

	% of Fund
Europe	34.4
North America	14.1
Latin America	10.3
Pacific Ex Japan	20.2
Japan	7.5
Middle East & Africa	3.6
Reserves	9.9

**FUND REVIEW**

The portfolio's overall duration stayed low with short duration stances in high-quality countries where we see potential for structural inflation, such as the U.S. and UK.

We added new positions in German and UK inflation-linked bonds during September on anticipation of price pressures rising in both countries due in part to higher energy prices. Labour supply problems could add further price pressure in the UK, while in Germany we see the likelihood of spending increases under the next coalition government potentially stimulating greater inflation.

Among other high-quality countries, we increased short duration stances in Canada and Australia as central banks in both countries are taking steps toward removing accommodative policies by tapering bond purchases. By contrast, we opened a new long duration stance in New Zealand, which complemented our existing positive exposures in China, Thailand, Hong Kong, South Korea, Malaysia, Israel, and Sweden.

Within emerging markets, we retained long positions in the local currency government bond markets of Mexico, Indonesia, India, the Philippines, Serbia, Romania, Russia, Turkey, and South Africa. In terms of moves, we added modestly to our long exposure in domestic Brazil.

To help mitigate some of the risk associated with "return-seeking" positions, we retained a short duration position in Poland where inflation remained elevated.

In the currency sphere, the short U.S. dollar bias was largely closed as we saw potential for the currency to benefit in the short term from global growth concerns. This led us to increase the short position in the Israeli shekel and open new short positions in the South African rand and Mexican peso.

Within sectors, we expressed an overall negative bias in credit markets. At the end of September, we held long positions in select investment-grade and high yield corporate issuers identified as attractive by our bottom-up research process and defensive short positions in credit indices expressed using synthetic credit instruments.

Put option structures on U.S. equities—which we hold as a defensive hedge against a rapid correction in equity markets—were adjusted over the month.

**PORTFOLIO PERFORMANCE**

Yield curves across most developed government bond markets steepened during September, driven by inflation concerns and hawkish rhetoric from central banks.

Within duration management, short duration stances in high-quality countries such as the U.S., UK, and Canada added notable gains as they benefited from yields rising. Our short duration stance in Poland and exposures to U.S. inflation-linked bonds and swaps also boosted

**CREDIT QUALITY DIVERSIFICATION<sup>2</sup>**

	% of Fund
AAA	21.2
AA	8.7
A	18.7
BBB	26.2
BB	12.9
B	1.1
Not Rated	1.3
Cash	9.9

**DISTRIBUTION INFORMATION**

	31 Dec 2020	31 Mar 2021	30 Jun 2021	30 Sep 2021
Distribution Rate (cents per unit AUD)	0.16	0.17	8.23	0.15

performance. Long positions in the local currency government bond markets of Chile and Turkey detracted, however, amid a rise in risk aversion.

In currency markets, long positions in the British pound, Serbian dinar, Romanian leu, and the Czech koruna detracted as global growth concerns provided broad support for the U.S. dollar. These losses were partially offset by gains from short positions in select developed and emerging market currencies, including the Israeli shekel, Taiwanese dollar, Mexican peso, and South Korean won.

Within sectors, defensive hedging positions expressed in equity and credit markets added gains over the period, as did security selection in European high yield. However, individual security selection in U.S. investment-grade and U.S. high yield corporate bonds resulted in losses.

**OUTLOOK**

The period was characterized by slowing global growth and shifting central bank focus with some taking a more hawkish stance toward inflation while others remained dovish despite consistently high prints. We believe that the market will continue to discriminate against central banks that either ignore inflationary pressures or project a hawkish stance. This environment is likely to create increased interest rate volatility and a dispersion in opportunities, in our view. Against this backdrop, the portfolio retained a bias for higher interest rates in select countries where we see potential for more structural inflation, such as the U.S., Canada, and Poland. By contrast, long duration exposures were held in countries where we believe there's been further progress in the monetary policy tightening cycle. This included New Zealand and select emerging market countries, such as Mexico and Russia.

We remain cautious on the outlook for risk markets, such as credit, as strong technicals are balanced by tight valuations and the expectation that monetary policy and fiscal stimulus are both likely to be less supportive going forward. More broadly, we see potential for further periods of volatility over the next few weeks and months. This could be driven by any number of factors including China slowing, inflation fears, and concerns over the removal of liquidity as developed market central banks move toward tightening policy and governments start withdrawing pandemic fiscal support. Against this backdrop, we believe the environment calls for a tactical approach, so our ability to be flexible and adapt quickly to changes in market conditions will be important.

<sup>1</sup>Issuer exposure is derived using the portfolio's direct holdings and does not take into account derivative exposure. Consult the portfolio holdings report for a listing of all securities owned in the portfolio.

<sup>2</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 or visit [www.troweprice.com](http://www.troweprice.com)

**FUND INFORMATION**

APIR	ETL0398AU
Inception Date	18 February 2014
Benchmark	Bloomberg AusBond Bank Bill Index (AUD)
Management Fees and Costs <sup>^</sup>	0.40% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.20% / Sell -0.20%
Total Assets	\$754,954,799.93 AUD

<sup>^</sup>The Management Fee for the T. Rowe Price Dynamic Global Bond Fund is 0.40% 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 T. Rowe Price Dynamic Global Bond Fund are provided by Moody's, Standard & Poor's and Fitch and are converted to the Standard & Poor's nomenclature. 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 T. Rowe Price Dynamic Global Bond 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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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](http://www.eqt.com.au/insto) [[eqt.com.au](http://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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