AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

# T. Rowe Price Concentrated Global Equity Fund - I Class

*As of 31 May 2022*

**Portfolio Manager:**
Peter Bates

**Joined Firm:**
2004

**Investment Experience:**
20 Years

## INVESTMENT OBJECTIVE

The Fund is a high conviction global equity strategy that aims to provide long-term capital appreciation. The Fund typically invests in a concentrated portfolio of mid to large cap companies which are traded or listed on recognised exchange and/or markets throughout the world, including developing countries.

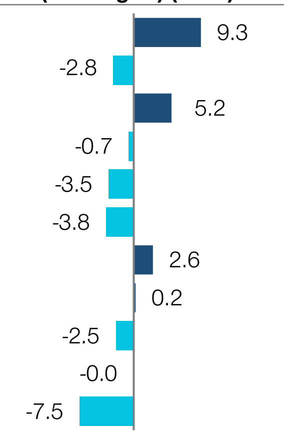
## TOP 10 HOLDINGS

| | Country | Industry | % of Fund |
|---|---|---|---|
| Danaher | United States | Life Sciences Tools & Services | 5.4% |
| Microsoft | United States | Software | 4.7 |
| T-Mobile US | United States | Wireless Telecommunication Services | 4.0 |
| Trane Technologies | United States | Building Products | 3.9 |
| Liberty Media Corp-Liberty Formula One | United States | Entertainment | 3.5 |
| NextEra Energy | United States | Electric Utilities | 3.4 |
| Alphabet | United States | Interactive Media & Services | 3.4 |
| Eli Lilly and Co | United States | Pharmaceuticals | 3.1 |
| Ashtead | United Kingdom | Trading Companies & Distributors | 3.1 |
| Sherwin-Williams | United States | Chemicals | 3.1 |

## SECTOR EXPOSURE

| | % of Fund |
|---|---|
| Industrials & Business Services | 19.4% |
| Information Technology | 18.9 |
| Communication Services | 12.9 |
| Health Care | 12.8 |
| Financials | 9.9 |
| Consumer Discretionary | 7.0 |
| Materials | 6.8 |
| Utilities | 3.4 |
| Energy | 2.7 |
| Real Estate | 2.7 |
| Consumer Staples | - |

**Fund vs. MSCI World Index ex-Australia Net (unhedged) (AUD)**




## PERFORMANCE

| | One Month | Three Months | Year-to-date | Since Share Class Inception 15 December 2021 |
|---|---|---|---|---|
| T. Rowe Price Concentrated Global Equity Fund - I Class (Gross – AUD)* | 0.96% | -4.96% | -15.87% | -16.17% |
| T. Rowe Price Concentrated Global Equity Fund - I Class (Net – AUD)** | 0.87 | -5.20 | -16.22 | -16.56 |
| MSCI World Index ex-Australia Net (unhedged) (AUD)*** | -0.83 | -4.82 | -12.06 | -12.29 |
| Value Added (Gross) [1] | 1.79 | -0.14 | -3.81 | -3.88 |
| Value Added (Net) [2] | 1.70 | -0.38 | -4.16 | -4.27 |

**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.

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

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

## COUNTRY DIVERSIFICATION (TOP 10)

| | % of Fund | MSCI World Index ex-Australia Net (unhedged) (AUD) |
|---|---|---|
| United States | 64.7% | 69.7% |
| United Kingdom | 7.6 | 4.6 |
| France | 7.3 | 3.3 |
| Netherlands | 4.7 | 1.3 |
| Japan | 4.5 | 6.3 |
| Taiwan | 2.5 | 0.0 |
| Canada | 2.5 | 3.8 |
| Germany | 1.4 | 2.3 |
| Argentina | 1.3 | 0.1 |

## PORTFOLIO CHARACTERISTICS

| | Fund | MSCI World Index ex-Australia Net (unhedged) (AUD) |
|---|---|---|
| Number of Issuers | 37 | 1,458 |
| Top 20 Issuers as Percent of Total | 65.4% | 25.0% |
| Percent of Portfolio in Cash | 3.4% | - |
| Portfolio Turnover (12 Months) | - | - |
| Active Share | 88.6% | - |

### MARKET REVIEW

In Australian dollar terms, global equity markets declined in May. Bearish sentiment prevailed for much of the period amid continued concerns about inflationary pressures, slowing global growth, and geopolitical tensions; however, some positive data points helped partially offset negative sentiment near the end of the month.

U.S. stocks fell modestly overall, but a late-month rally helped recover some of the more negative returns from earlier in the period. Early in the month, Federal Reserve policymakers announced a 50-basis-point increase in the federal funds target rate—the largest since 2000—to a range of 0.75% to 1.00%. The central bank also announced plans to begin reducing its balance sheet in June. Worries that the Fed would be unable to achieve a “soft landing” by raising rates enough to curb inflation without causing a recession hampered sentiment throughout the month, even as much current and backward-looking economic data indicated continued solid expansion. The month’s data suggested that inflation pressures might have peaked in March, but price pressures for both consumers and businesses remained near multi-decade highs, and there were concerns that inflationary pressures were moving beyond manufacturing and energy supply chains and becoming more broadly embedded in the economy.

Shares in developed Europe were mixed amid concerns that rising inflation could prompt faster-than-expected interest rate increases and cause a recession. Chinese lockdowns and Russia’s invasion of Ukraine added to the uncertainty. European Union leaders agreed at the end of the month to ban all seaborne Russian oil deliveries, covering about two-thirds of such imports, within months. Meanwhile, Russia’s state-owned energy company Gazprom cut off gas supplies to the Netherlands, Finland, Poland, and Bulgaria for refusing to pay in rubles rather than dollars. The eurozone economy was more resilient than previously thought in the first quarter, with the revised data showing a 0.3% expansion. Official data showed inflation accelerated more than expected in May to another record high of 8.1% and spread more broadly across the economy. The European Central Bank cut its forecast for 2022 GDP growth to 2.7% from 4.0% and raised its estimate for inflation to 6.1% from 3.5% to reflect higher energy prices.

Performance in developed Asian markets also varied. Japanese equities gained in May. Additional monetary easing in China and signs that the authorities there would allow segments of the economy to reopen following stringent coronavirus lockdowns, as well as the imminent relaxation of Japan’s strict border controls in June, supported sentiment. With Japan’s economic recovery lagging behind global peers, the Bank of Japan reiterated its commitment to massive monetary stimulus, despite some concerns about building inflationary pressures.

Emerging equity markets were widely mixed. Latin American markets produced strong gains and significantly outperformed other emerging regions. Thanks in part to rising commodity prices, the resource-rich Latin American region has been somewhat insulated from the geopolitical turmoil in emerging Europe. Emerging Asian markets were mixed. Chinese markets advanced after Beijing rolled out measures to support an economic slowdown worsened by pandemic lockdowns under the country’s zero-COVID policy. Indian stocks performed worst. Emerging European markets were also mixed. Stocks in the Czech Republic and Poland rose; however, shares in Hungary, whose economy depends greatly on imported Russian oil and natural gas, fell significantly. Turkish shares also pulled back, as the country is a major importer of energy commodities.

Sector performance in the MSCI World Index ex Australia was mixed in AUD terms. Energy was the clear leader, with utilities and financials also posting gains, while consumer staples, real estate, and consumer discretionary fell the most.

### FUND REVIEW

The portfolio outperformed the MSCI World ex Australia Index Net for the one-month period ended May 31, 2022. At the sector level, stock selection contributed the most to relative returns, while sector allocation was also positive. Stock selection in communication services contributed the most to relative performance, led by our positions in Charter Communications and T-Mobile. Health care names also boosted relative returns, especially our holdings in Danaher, Eli Lilly, and Bayer. Conversely, our underweight to energy detracted the most from relative performance. At the regional level, stock selection in North America contributed the most, while holdings in developed Europe detracted.

### OUTLOOK

We entered the year with the expectation that inflationary pressures would be more durable than expected but that inflation would begin to peak and normalize in the latter half of the year. However, Russia’s invasion of Ukraine has injected a new set of risks into the global economy, and we believe the impact from the war could be longer lasting than initially anticipated. The structural imbalances created by the Russian-Ukraine conflict will require a meaningful realignment and investment to correct. Inflation remains elevated, commodity prices have surged, and most developed central banks are tightening monetary policy, which has led to high levels of volatility in the market and a notable risk-off environment.

As always, we think it is a near impossible task to predict macro issues and remain focused on building a style-balanced, concentrated portfolio of high-conviction names across the style spectrum that we believe can perform well in any market. However, we do think the likelihood of a recession over the next 18 months is higher than it was before the war in Ukraine. As such, we have been adding some more cyclical names to the portfolio that we think are well positioned for a range of scenarios over the coming months.

We remain true to our investment framework, are avoiding portfolio-defining macro variable exposures, and are leveraging our research advantage through bottom-up stock picking, with a focus on high-quality, world-leading companies that possess strong pricing power and differentiated service capabilities or products. We continue to believe our robust research platform, worldwide fundamentally-driven investment process, and multi-dimensional view on risk management is well suited for the current environment.

## CONTACT US

For more information about the Fund, please contact our Relationship Management team on +61 2 8667 5700 or visit www.troweprice.com

## FUND INFORMATION

| | |
|---|---|
| APIR | ETL8650AU |
| Inception Date | 15 December 2021 |
| Benchmark | MSCI World Index ex-Australia Net (unhedged) (AUD) |
| Management Fees and Cost^ | 0.99% p.a. |
| Distribution | Annually |
| Buy/Sell | Buy +0.15% / Sell -0.10% |
| Total Assets | $2,329,618 AUD |

^The Management Fee for the T. Rowe Price Concentrated Global Equity Fund - I Class is 0.99% 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.

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 Exchange Traded Funds (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. T. Rowe Price will adhere to all updates to GICS for prospective 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.

## IMPORTANT INFORMATION

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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 [eqt.com.au]). 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.

**Past performance is not a reliable indicator of future performance.** The price of any fund may go up or down. Investment involves risk including a possible loss to the principal amount invested. For general information purposes only, does not take into account the investment objectives, financial situation or needs of any particular investor. For further details, please refer to each fund's product disclosure statement and reference guide which are available from Equity Trustees (www.eqt.com.au/insto) or TRPAU (www.troweprice.com.au)/ (www.troweprice.nz).

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