



## AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

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

As of 31 March 2024

Portfolio Management Team <sup>1</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	6.1
U.S. Treasury Inflation Indexed Bonds	15-Apr-2025	5.5
U.S. Treasury Notes	31-May-2024	4.9
Deutsche Bundesrepublik Inflation Linked Bond	15-Apr-2026	3.0
New Zealand Government Bond	15-May-2051	2.9
Thailand Government Bond	12-Mar-2028	2.7
U.S. Treasury Notes	30-Apr-2024	2.5
Republic of Italy Government International Bond	17-Oct-2024	2.0
Bonos de la Tesoreria de la Republica en pesos	1-Apr-2033	2.0
Petroleos Mexicanos	23-Jan-2029	2.0

## 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>1</sup>	0.18%	0.13%	-0.33%	0.13%	-5.16%	-1.44%	1.28%	1.16%
Bloomberg AusBond Bank Bill Index (AUD)	0.37	1.09	2.15	1.09	4.19	2.08	1.51	1.53
Value Added (Net) <sup>3</sup>	-0.19	-0.96	-2.48	-0.96	-9.35	-3.52	-0.23	-0.37

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

Source for performance: T. Rowe Price.

<sup>1</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>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 (Net) minus its Index.

<sup>5</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	60.59
Corporate (including High Yield)	32.10
Securitized	3.36
Equity	0.32
Cash & Cash Equivalents	3.63

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

	Fund
Number of Holdings	211
Number of Countries	40
Weighted Average Maturity	1.43 Years
Weighted Average Effective Duration	0.32 Years
Weighted Average Spread Duration	1.54 Years
Average Credit Quality	A
Yield to Maturity (including hedging)	4.59%

Annualised

BLOCK BOND ALLOCATION (ISSUE CURRENCY)

	% of Fund
Europe	20.9
North America	51.3
Latin America	6.7
Pacific Ex Japan	15.6
Japan	0.0
Middle East & Africa	0.7
Reserves	4.7

FUND REVIEW

The portfolio’s duration ended the period in neutral territory, slightly above the previous month.

In the U.S., we maintained 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 belly of the curve, thus maintaining a steepening bias on the yield curve.

In the eurozone, we broadly held a short duration bias via the longer-end of the yield curve. However, we reduced the size of the short duration bias over the period on expectations the European Central Bank may lead other major central banks in the magnitude of rate cuts over the remainder of the year.

In the UK, we switched to an overall long duration exposure via reducing our steepening bias on the UK yield curve as the Bank of England signalled a dovish bias at its latest policy meeting.

Elsewhere, we held long duration exposures in Australia and New Zealand given attractive relative value propositions. We also held a short duration bias in Canada as the central bank kept interest rates unchanged.

In currencies, we switched to a long position on the U.S. dollar due to resilient data. We held long holdings in the Chilean peso and the Mexican peso on expectations that a benign risk market environment will prove supportive to these currencies. They were balanced by our short positions in the Chinese yuan, Thai baht, and the Taiwanese dollar due to a worsening regional outlook, led by China. We also initiated a long position in the Egyptian pound in the backdrop of structural improvements in the economy.

Within sectors, we broadly held our risk-seeking positions in the portfolio given the constructive outlook for risk markets, though we trimmed the size of those positions. At month-end, we held long exposures to U.S. investment grade and high yield. We also maintained our exposures to emerging market corporate debt. However, we continued to hold equity tail risk hedges in the portfolio..

PORTFOLIO PERFORMANCE

Government bond yields oscillated over March but ultimately ended the month marginally lower. Within duration management, our short duration bias in select markets weighed as bond yields ended the month marginally lower. Our short duration bias in the U.S., Germany, and the UK detracted from performance amid the broader yield retracement environment. A U.S. curve steeper position also weighed on performance as yields declined at the longer end of the Treasury yield curve. However, a long allocation to Australian and New Zealand duration contributed to performance as inflationary pressures receded and growth slowed in the former.

In foreign exchange markets, the U.S. dollar gained broadly as the prospect of interest rate cuts being delayed supported the currency. As a result, short positions to the Chinese renminbi and Taiwanese dollar supported performance. Elsewhere our long position in the Mexican peso outperformed as the currency’s carry profile remained attractive despite Banxico’s widely expected cut to interest rates. However, a long position in the Chilean peso weighed on performance in the stronger U.S. dollar environment as the currency rebounded off lows towards the end of the month.

CREDIT QUALITY DIVERSIFICATION<sup>1</sup>

	% of Fund
AAA	29.3
AA	8.2
A	18.1
BBB	29.7
BB	8.6
B	1.0
C	0.0
CCC	0.0
Default	0.8
Not Rated	-0.5
Cash	4.7

Our risk-seeking positions had a positive impact on performance as risk sentiment remained resilient and credit spreads tightened. Our long exposures to U.S. high yield credit risk via credit derivatives contributed to performance against the backdrop of improved risk appetite. Our select exposures to investment-grade and high yield corporate bonds, also supported performance. However, our risk-hedging position in equity markets offset some gains.

OUTLOOK

We held a short duration bias, though we reduced the size later in the period. Resilient growth and sticky inflation have prompted investors to reduce their 2024 rate cut expectations in line with policymakers’ forecasts from the end of last year. While we are entering an easier monetary policy environment, a marked shift in focus from managing a growth slowdown to ensuring disinflationary forces are sustained, indicates potential for increased volatility along that journey. Growing signs of divergence in global monetary policy cycles are evident from Switzerland cutting interest rates to Japan emerging from a negative interest rate regime. We prefer to hold a short duration bias in the longer end of the curve at the portfolio level, led by the U.S. and Europe. Moreover, our U.S. curve steepening bias is balanced by select long positions in countries like Australia and China where economic growth is slowing.

In currencies, we pivoted to a long U.S. dollar bias towards the end of March, acknowledging the theme of U.S. data exceptionalism. U.S. growth remains strong, and indicators suggest no impending slowdown, contrasting data from Europe and China. Concerns of a deepening slowdown in China has prompted us to hold short exposures to the Chinese yuan and the Taiwanese dollar. In credit markets, robust earnings and the prospect of easier monetary policy remain supportive of broader markets. Resilient growth continues to support a long allocation to credit risk, although we remain positioned to tactically taper this positioning given the extent of the recent rally in risk assets. However, we continue to maintain convexity in our risk-hedging positions in the equity markets. This can potentially capture any sharp downward moves on single data points while limiting losses in environments of risk markets grinding higher.

Investors are grappling with a combination of data-dependent policymakers during a time of a resilient U.S. economy, slowing China and ongoing quantitative tightening by major central banks. 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.

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^	0.59% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.15% / Sell -0.15%

^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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