



## AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

# T. Rowe Price Australian Equity Fund – I Class

As of 31 March 2024



### Portfolio Manager:

Randal Jenneke

### Joined Firm:

2010

### Investment Experience:

32 Years



Morningstar Medalist Rating™:  
As of 29/02/2024  
Data Coverage 96%  
Analyst-Driven 10%

## INVESTMENT OBJECTIVE

The Fund's investment objective is long-term capital appreciation through investment primarily in a portfolio of securities of Australian companies listed on the S&P/ASX 200 Total Return Index (ASX200). The portfolio will include the securities of a broad range of companies across the market capitalisation.

## TOP 10 HOLDINGS (%)

|                     | % of Fund | S&P/ASX 200 Total Return Index (AUD) |
|---------------------|-----------|--------------------------------------|
| Bhp                 | 11.4      | 9.6                                  |
| CSL                 | 9.3       | 5.9                                  |
| Westpac Banking     | 6.3       | 3.9                                  |
| Woodside Energy     | 5.7       | 2.5                                  |
| Aristocrat Leisure  | 5.4       | 1.2                                  |
| Brambles            | 5.1       | 1.0                                  |
| Goodman Group       | 4.1       | 2.5                                  |
| Telstra             | 3.9       | 1.9                                  |
| ResMed              | 3.8       | 0.8                                  |
| Insurance Australia | 3.6       | 0.7                                  |

## SECTOR EXPOSURE

|                                 | % of Fund | Fund vs. S&P/ASX 200 Total Return Index (AUD) |
|---------------------------------|-----------|---|
| Financials                      | 19.1      | -11.2   |
| Materials                       | 14.6      | -7.4  |
| Health Care                     | 13.2      | 3.6   |
| Communication Services          | 10.3      | 6.5   |
| Consumer Discretionary          | 9.8       | 2.6   |
| Industrials & Business Services | 8.3       | 1.5   |
| Energy                          | 5.7       | 0.8   |
| Information Technology          | 4.2       | 1.2   |
| Real Estate                     | 4.1       | -2.8  |
| Consumer Staples                | 3.4       | -0.7  |
| Miscellaneous                   | 0.4       | 0.4   |

## PORTFOLIO CHARACTERISTICS

|                                    | Fund  | S&P/ASX 200 Total Return Index (AUD) |
|------------------------------------|-------|--------------------------------------|
| Number of Issuers                  | 29    | 200                                  |
| Top 20 Issuers as Percent of Total | 82.6% | 62.3%                                |
| Percent of Portfolio in Cash       | 6.8%  | –                                    |
| Portfolio Turnover (12 Months)     | 52.2% | –                                    |
| Active Share                       | 54.0% | –                                    |

## PERFORMANCE

|   | Annualised |              |              |          |             |            |           |                      |
|---|------------|--------------|--------------|----------|-------------|------------|-----------|----------------------|
|   | One Month  | Three Months | Year-to-date | One Year | Three Years | Five Years | Ten Years | Since Fund Inception |
| T. Rowe Price Australian Equity Fund – I Class (Gross – AUD) <sup>*</sup> | 2.00%      | 5.60%        | 5.60%        | 12.50%   | 7.32%       | 8.43%      | 7.60%     | 9.69%                |
| T. Rowe Price Australian Equity Fund – I Class (Net – AUD) <sup>**</sup>  | 1.95       | 5.44         | 5.44         | 11.83    | 6.68        | 7.78       | 6.88      | 8.92                 |
| S&P/ASX 200 Total Return Index (AUD)                                      | 3.27       | 5.33         | 5.33         | 14.45    | 9.62        | 9.15       | 8.27      | 9.60                 |
| Value Added (Gross) <sup>1</sup>  | -1.27      | 0.27         | 0.27         | -1.95    | -2.30       | -0.72      | -0.67     | 0.09                 |
| Value Added (Net) <sup>2</sup>  | -1.32      | 0.11         | 0.11         | -2.62    | -2.94       | -1.37      | -1.39     | -0.68                |

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

Source for performance: T. Rowe Price.

<sup>\*</sup> Gross-of-fees performance is the net return with fees and expenses added back.

<sup>\*\*</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.

<sup>#</sup> Index returns shown with gross dividends reinvested.

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

<sup>2</sup>The Value Added is shown as the Fund (Net) minus its Index.

## FUND REVIEW

Australian equities rose in March, building on the gains seen in January and February. However, they underperformed developed and emerging markets in local currency terms for the month.

The top performing sectors for the month included real estate investment trusts (REITs), energy, and utilities. The key underperforming sectors were communication services, consumer discretionary, and health care. Energy prices rose on the back of resilience in economic growth and some geopolitical risk being priced in due to escalating tensions in the Middle East. Iron ore prices continued to decline amid ongoing concerns about Chinese economic growth and the outlook for the country's property sector. 10-year U.S. Treasury bond yields dipped slightly by 4 basis points\* to 4.20%. Similarly, Australian 10-year bond yields fell by 17 basis points\* to 3.97%. The Australian dollar strengthened modestly against the U.S. dollar.

## PORTFOLIO HIGHLIGHTS

The T. Rowe Price Australian Equity Fund underperformed the benchmark in March. Notable underperformers were Pilbara Minerals, Aristocrat, and SEEK. Good performances were posted by ResMed, Goodman Group, and Brambles.

Pilbara Minerals underperformed on the back of continued concerns over soft lithium demand. This weakness is principally related to a slowdown in electric vehicle (EV) sales outside of China. Demand weakness has translated into declining lithium prices and hurt the share prices of producers such as Pilbara. We are starting to see subdued lithium prices curtailing supply. While we expect lithium markets to go through a period of further rebalancing, we think lower cost producers, such as Pilbara, to emerge in a much stronger position and be well placed to take advantage of the trend towards electrification.

Brambles outperformed for the month, with the market continuing to recognise the operational improvements in the business in recent years. The company has been able to successfully reprice its different sales channels to bring them to acceptable levels of profitability. Additionally, better management of the pallet pool has translated into improved asset efficiency and hence better margins and returns on capital. Despite the improvement in operational performance of the business, this has not been fully reflected in the valuation, with the company trading below longer-term historical levels. As a result, we believe Brambles continues to be attractive from a longer-term perspective.

## OUTLOOK

Markets have quickly shifted to an expectation of interest rate cuts in 2024. While inflation is moderating the key questions remains: to what level and how quickly? Expectations of near-term rate cuts look premature, particularly if we get a reacceleration in activity caused by the loosening of financial conditions seen in recent months. It is likely we will be stuck in a period of subdued economic and earnings growth and greater market volatility. Australia is lagging the interest rate cycle of other economies and therefore is much less likely to cut rates any time soon. Additionally, the acceleration of wage growth will need to be carefully monitored, particularly given the parlous state of Australia's productivity performance.

We continue to be cautious on earnings growth, particularly from the more cyclical sectors of the market. We maintain a defensive posture in the face of these risks and continue to selectively look for opportunities in oversold quality growth names with strong valuation appeal. We continue to expect the more cyclical parts of the market to come under earnings pressure, which should see quality and defensive growth companies outperform as their earnings will likely be more resilient.

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\*A basis point is 0.01 percentage points.

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**CONTACT US**

For more information about the Fund, please contact our Relationship Management team on +61 2 8667 5700 or visit [www.troweprice.com](http://www.troweprice.com)

**FUND INFORMATION**

|                              |                                      |
|------------------------------|--------------------------------------|
| APIR                         | ETL0328AU                            |
| Inception Date               | 04/26/2012                           |
| Benchmark                    | S&P/ASX 200 Total Return Index (AUD) |
| Management Fees <sup>^</sup> | 0.60% p.a.                           |
| Distribution                 | Annually                             |
| Buy/Sell                     | Buy +0.05% / Sell -0.05%             |
| Total Assets                 | \$69,468,391 AUD                     |

<sup>^</sup>The Management Fee for the T. Rowe Price Australian Equity Fund is 0.60% 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 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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