T. Rowe Price®
INVEST WITH CONFIDENCE

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Australian Equity Fund – S Class

As of 31 May 2022

Portfolio Manager:
Randal Jenneke

Joined Firm:
2010

Investment Experience:
30 Years

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	10.5	10.7
CSL	8.0	6.2
National Australia Bank	6.0	4.8
Rio Tinto	5.9	2.0
Coles	5.6	1.1
Goodman Group	4.7	1.7
Aristocrat Leisure	4.6	1.1
Macquarie Group	4.1	3.2
carsales.com	4.0	0.3
Ramsay Health Care	3.5	0.7

SECTOR EXPOSURE (%)

	% of Fund	Fund vs. S&P/ASX 200 Total Return Index (AUD)
Materials	20.3	-4.4
Health Care	14.9	5.3
Consumer Discretionary	14.1	7.5
Financials	12.4	-16.9
Consumer Staples	8.8	4.0
Information Technology	7.8	4.7
Industrials & Business Services	5.1	-0.7
Real Estate	4.7	-1.9
Communication Services	4.0	0.1
Utilities	1.8	0.3
Energy	1.3	-2.8

PORTFOLIO CHARACTERISTICS

	Fund	S&P/ASX 200 Total Return Index (AUD)
Number of Issuers	32	201
Top 20 Issuers as Percent of Total	84.0%	61.8%
Percent of Portfolio in Cash	4.9%	–
Portfolio Turnover (12 Months)	101.8%	–
Active Share	55.6%	–

PERFORMANCE

	One Month	Three Months	Year-To-Date	One Year	Three Years	Since Share Class Inception 22 Jan 2019 (Annualised)
T. Rowe Price Australian Equity Fund – S Class (Net –AUD)*	-3.14%	0.38%	-7.53%	0.28%	6.71%	8.46%
S&P/ASX 200 Total Return Index (AUD)	-2.60	3.21	-1.27	4.84	7.85	10.55
Value Added (Net) **	-0.54	-2.83	-6.26	-4.56	-1.14	-2.09

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.

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.

**The Value Added is shown as the Fund (Net) minus its Index.

FUND REVIEW

The Australian equity market fell again in May; however, it is one of the best performing assets classes globally so far in 2022. Over the month, Australian equities outperformed emerging markets but underperformed developed markets in local currency terms.

The top performing sectors for the month included materials, utilities, and industrials and business services while the key underperforming sectors were real estate investment trusts (REITs), information technology, and consumer staples. The proposed EU ban on Russian oil imports saw oil prices spike. Iron ore prices fell as China's zero-covid policy continued to weigh negatively on economic activity and therefore demand for iron ore. Gold prices fell modestly over the month. With inflation data in line with market expectations, U.S. Treasury yields fell by a modest five basis points to 2.84%. Conversely, Australian 10-year bond yields continued to sell off with yields rising by another 22 basis points to 3.34% in May. The Australian dollar rose against its U.S. counterpart.

PORTFOLIO HIGHLIGHTS

The T. Rowe Price Australian Equity Fund underperformed the benchmark in May. Notable underperformers included Eagers Automotive, Goodman Group, and IDP Education. Good performances were posted by Allkem, Treasury Wine Estates, and BHP.

Goodman Group underperformed following the announcement from ecommerce giant Amazon that it had overexpanded during the pandemic and was looking to lease out some industrial space. We believe Goodman has limited exposure to this issue given that it has a small U.S. footprint and modest exposure to Amazon's affected businesses. The fundamentals for the company are strong, in our view, and the business is well placed to benefit from strong longer-term ecommerce trends.

Allkem was one of the top performers in the S&P/ASX200 for the month. This was driven by strong electric vehicle demand, which in turn is sending lithium prices higher. The challenge for the entire industry is to produce enough lithium to meet the very strong market demand going forward. Allkem, in particular, has a number of greenfield and brownfield expansions coming online in the next three to five years. In our view, the company is well-placed to grow its production profile and benefit from the very strong tailwinds associated with the transition to electric vehicles which is well under way.

OUTLOOK

The path to lower inflation has been extended and complicated by a combination of the war in Ukraine and China's continued pursuit of its zero-covid policy, which is causing ongoing supply chain disruptions. In addition, wage pressures are mounting, which risks making inflation an entrenched longer-term issue. Most likely this will require central banks to raise interest rates higher than previously thought, with negative consequences for earnings growth. We believe this makes the risk of a central bank policy error very high. Some central banks appear to have little choice but to drive their economies close to or into recession in order to bring inflation back under control.

While there are a high number of uncertainties, the current sell-off in growth and high quality companies is creating good opportunities, in our view. We believe it is far better to prepare for what is likely to come (slowing growth and recession risk) rather than what stares us in the face today (higher inflation). This contrarian approach will enable us to position our portfolio for the next phase of the market.

Having previously moved to a more cautious stance in our portfolio, we are now taking the opportunity to add to quality and growth companies we believe are oversold based on near-term inflation fears and higher interest rates. Having taken profit on these positions during the course of 2021, we have ample scope to take these positions higher. In our view, this will likely set up the portfolio to perform well once we move beyond the current market inflation fears and focus back on the key issue (earnings) that we believe will come to dominate markets as we move through 2022. We expect quality and growth companies to perform well in this environment.

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	ETL0493AU
ARSN	155 367 481
ISIN	AU60ETL04933
Inception Date	22 January 2019
Benchmark	S&P/ASX 200 Total Return Index (AUD)
Management Fees^	0.80% p.a.
Distribution	Annually
Buy/Sell	Buy +0.10% / Sell -0.10%

^The Management Fee for the T. Rowe Price Australian Equity Fund is 0.80% 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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