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AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Global High Income Fund – I Class

As of 31 October 2021

Portfolio Management Team:	Managed Fund Since:	Joined Firm:
Michael Della Vedova	2020	2009
Michael Connelly	2020	2005
Samy Muaddi	2020	2006

Investment Grade
Lonsec Research

INVESTMENT OBJECTIVE

The investment objective of the Fund is to seek high current income and capital appreciation primarily through investment in global fixed income securities rated below investment grade. The Fund also seeks global diversification by targeting North American, European and emerging markets high yield corporate issuers.

TOP 10 ISSUE EXPOSURE[1]

	% of Fund
Petroleos Mexicanos	2.7
ALTICE FINCO SA	1.4
Albertsons	1.2
Vmed O2 UK	1.2
T-Mobile US	1.2
Teva Pharmaceutical Industries	1.1
Occidental Petroleum	1.1
Country Garden	1.0
Shimao Group Holdings	1.0
LCPR Senior Secured Financing DAC	1.0

DISTRIBUTION INFORMATION

	30 Jun 2021	31 Jul 2021	31 Aug 2021	30 Sep 2021	31 Oct 2021
Distribution Rate (cents per unit)	0.63	0.54	0.52	0.52	0.57

REGIONAL DIVERSIFICATION (%)

	% of Fund	ICE BofA Global High Yield Index (AUD Hedged)
North America	50.3	56.5
Europe	24.2	24.6
Latin America	10.3	9.1
Pacific Ex Japan	7.9	5.6
Middle East & Africa	5.1	2.9
Japan	0.0	0.9

PORTFOLIO CHARACTERISTICS[2,3]

	Fund	ICE BofA Global High Yield Index (AUD Hedged)
Number of Holdings	241	3,920
Weighted Average Coupon	5.81%	5.37%
Weighted Average Maturity	6.83 Years	6.06 Years
Current Yield[5]	5.71%	5.30%
Yield to Maturity	5.26%	5.05%
Average Credit Quality[6]	B+	BB-

[#] Represented by the number of holdings of the underlying component portfolios - Global High Income Bond (242) and Floating Rate Loan (266). Numbers may not add up due to overlapped holdings.

PERFORMANCE

	One Month	Three Months	Year-to-Date	One Year	Annualised Since Share Class Inception 4 May 2020
T. Rowe Price Global High Income Fund – I Class (Net - AUD)[*]	-1.10%	-0.59%	2.70%	8.68%	13.40%
ICE BofA Global High Yield Index (AUD Hedged)	-0.69	-0.48	2.50	8.45	13.35
Value Added (Net)[4]	-0.41	-0.11	0.20	0.23	0.05

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.

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.

[1] Issuer exposure is based on the underlying component portfolios of the Fund and does not take into account derivative exposure. Consult the portfolio holdings report for a listing of all securities owned in the portfolio.

[2] Calculated using the underlying component portfolios of the Fund plus exposure from derivative instruments.

[3] Calculated using the individual credit quality ratings for the underlying component portfolios of the Fund and without the impact from derivative instruments.

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

[5] The current yield reflects the market-weighted average of coupon divided by price per security.

[6] Average Credit Quality is calculated by averaging the Moody's weighted average quality and the S&P weighted average quality (50/50 split), regardless of the % of the portfolio actually rated by each of these ratings agencies.

INDUSTRY DIVERSIFICATION (%)

	% of Fund	ICE BofA Global High Yield Index (AUD Hedged)
Financial	10.28	11.82
Energy	9.05	13.99
Healthcare	8.91	7.42
Cable Operators	8.89	2.67
Entertainment & Leisure	5.92	1.88
Services	5.89	4.83
Building & Real Estate	5.83	4.97
Automotives	5.68	5.00
Wireless Communications	4.71	2.27
Metals & Mining	4.09	3.17

MARKET REVIEW

In Australian dollar terms, high yield bonds across the globe posted modest losses in October. In the U.S. and Europe, solid corporate earnings helped to balance worries that elevated inflation, supply chain disruptions, and the prospect of monetary policy tightening could hamper the economic recovery. Asia high yield corporate bonds experienced weakness as Chinese property companies remained a source of concern.

The yield on the benchmark 10-year U.S. Treasury note rose to its highest level since May before falling back to end at 1.55%. Yields rose as Federal Reserve policymakers acknowledged that inflationary pressures were proving stronger and less transitory than they had anticipated. Minutes of the Fed's September policy meeting revealed that officials intend to let inflation stay above their 2% long-term target for the next couple of years before raising rates. Core (excluding food and energy) consumer prices held steady at a year-over-year pace of 4.0%, while annual increases in the Fed's preferred inflation gauge, the core personal consumption expenditures (PCE) price index, remained stable at 3.6%. The Commerce Department reported its advance estimate that the economy had grown at an annualized pace of 2.0% in the third quarter, well below consensus expectations of around 2.7% and the second quarter's pace of 6.7%. The political environment remained somewhat clouded. A temporary increase in the federal debt limit assuaged investor concerns, but an agreement on the Biden administration's fiscal stimulus plans appeared elusive, although the White House insisted it was making progress.

The European Central Bank (ECB) maintained its existing policies and indicated that it would continue buying assets under the auspices of its Pandemic Emergency Purchase Programme (PEPP) at the somewhat moderated rate announced in September. ECB President Christine Lagarde acknowledged that inflation could “take longer to decline than initially expected” but reiterated the view that the rate of consumer price increases should slow to less than 2% by 2023.

The eurozone economy grew 2.2% sequentially in the third quarter, an uptick from 2.1% in the previous quarter, according to an initial estimate from Eurostat. The result beat the 2.0% consensus estimate on FactSet. An early estimate for inflation in October was pegged at 4.1%—the highest level in 13 years and above the market's expectations. Higher energy costs were a prominent factor. Core inflation, which excludes volatile energy and food prices, ticked up to 2.1% from 1.9%.

In China, property companies remained in focus following defaults, credit rating downgrades, and a proposed national property tax as officials sought to reduce leverage in the sector. Developers reported sharply lower sales in September, leading credit agencies Fitch Ratings and S&P Global Ratings to lower their ratings on several developers. New home prices stalled in September for the first time in six years, according to Bloomberg, raising expectations of policy support in some quarters.

Sentiment somewhat improved after cash-strapped China Evergrande Group, one of China's largest and most indebted developers, narrowly skirted default by making good on several overdue payments before the expiration of grace periods. Late in October, China's large banks were instructed to support mortgage lending in the fourth quarter, reflecting the government's wish to avoid a hard landing for the stressed sector.

In foreign exchange markets, various currencies declined against the U.S. dollar. The Turkish lira was especially weak, dropping nearly 8% versus the dollar, as the central bank reduced interest rates despite elevated inflation. The Brazilian real fell more than 3% versus the dollar amid high inflation and growing concerns that the government was losing fiscal discipline. Conversely, the Peruvian peso and Russian ruble appreciated roughly 4% and 3%, respectively, against the dollar.

FUND REVIEW

Credit selection in the broadcasting segment added value, partly because we avoided exposure to Diamond Sports Group, which owns equity interests in the largest collection of regional sports networks in the United States. The bonds came under pressure after the company revealed in an SEC filing in early October that it has not been successful in its efforts to reach a deal in the planned launch of a direct-to-consumer product.

Security selection among utilities benefited due, in part, to NextEra Energy (NEE), a vertically integrated regulated electric utility holding company. NEE has best-in-class regulated utilities and renewables businesses with a strong balance sheet. The significant growth opportunities in renewables and the company's expertise in the space have allowed NEE to lead the sector in the clean energy transition.

The portfolio's overweight allocation in the building and real estate segment dragged, partly due to our larger position in Kaisa Group, one of the leading property developers in China, relative to the benchmark. The bonds traded lower as both S&P and Fitch downgraded the company's credit rating, citing refinancing risk.

Credit selection in the wireless communications segment detracted, partly due to T-Mobile, the second-largest wireless carrier in the U.S. The bonds performed as the company continued to execute on its merger with Sprint. However, our small equity position was impacted by the fallout from a significant security breach that recently compromised customer data, which caused the stock to underperform broad equity markets.

OUTLOOK

The very positive fundamental backdrop is balanced by spreads near historic lows that have already priced in a strong economic recovery as countries remove coronavirus-related restrictions. The macroeconomic environment should support issuers in our space from a fundamental level, and central bank and government support should provide meaningful tailwinds for the asset class. We still do not see a catalyst to push spreads higher in the near-term, and spreads will likely trade sideways for some time.

Despite more muted return expectations, high yield is well positioned compared with other fixed income sectors and offers a lower duration profile relative to high-quality segments of the market. Additionally, the diversification benefits of our approach, as well as our rigorous fundamental research process, leave us well positioned to strive to deliver attractive risk-adjusted returns for our long-term investors.

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

Minimum Investment Amount	$500,000 AUD
APIR	ETL0793AU
ARSN	638808545
ISIN	AU60ETL07936
Inception Date	04-May-2020
Benchmark	ICE BofA Global High Yield Index (AUD Hedged)
Management Fees and Costs^	0.72% p.a.
Distribution	Monthly
Buy/Sell	Buy 0.00% / Sell 0.00%
Total Assets	$522,886 AUD

The Management Fee for the T. Rowe Price Global High Income Fund is 0.62% p.a. and the Indirect Cost is 0.10% p.a. The indirect costs component is based on a reasonable estimate of the costs for the current financial year to date, adjusted to reflect a 12 month period. 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.

Sources for credit quality: Credit ratings for the securities held in the T. Rowe Price Global High Income Fund are provided by Moody's and Standard & Poor's and are converted to the Standard & Poor's nomenclature. Split ratings (e.g., BB/B and B/CCC) are assigned when Moody's and S&P differ. If a rating is not available, the security is classified as Not Rated (NR). The rating of the underlying investment vehicle is used to determine the creditworthiness of credit default swaps and sovereign securities. The T. Rowe Price Global High Income 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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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]). 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.

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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