T. Rowe Price

AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Global High Income Fund – S Class

As of 31 March 2024

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

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	2.5
Teva Pharmaceutical Industries	1.7
Venture Global LNG	1.5
Verisure Midholding	1.5
HTA Group Ltd/Mauritius	1.4
Merlin Entertainments	1.4
Vmed O2 UK	1.2
Loxam SAS	1.1
RCS Management	1.1
Gruenenthal Pharma GmbH & Co KG	1.1

REGIONAL DIVERSIFICATION (%)

	% of Fund	ICE BofA Global High Yield Index
North America	48.0	58.5
Europe	30.3	24.7
Latin America	14.7	9.0
Middle East & Africa	5.2	3.0
Pacific Ex Japan	0.7	3.8
Japan	0.0	0.8

PORTFOLIO CHARACTERISTICS[2,3]

	Fund	ICE BofA Global High Yield Index^
Number of Holdings	203	3,210
Weighted Average Coupon	6.63%	5.80%
Weighted Average Maturity[4]	5.68 Years	4.75 Years
Current Yield[5]	6.96%	6.24%
Yield to Maturity	7.98%	7.71%
Spread to Worst	405 bps	354 bps
Average Credit Quality	B+	B+

^ Data shown uses ICE holdings prior to month end rebalancing, this may differ from the methodology used in other materials.

PERFORMANCE

	One Month	Three Months	Year-to-Date	One Year	Annualised Three Years	Annualised Since Inception 4 May 2020
T. Rowe Price Global High Income Fund – S Class (Net - AUD)*	1.10%	1.63%	1.63%	11.07%	-0.53%	3.99%
ICE BofA Global High Yield Index (AUD Hedged)	1.04	1.79	1.79	9.94	0.21	4.58
Value Added (Net)[4]	0.06	-0.16	-0.16	1.13	-0.74	-0.59

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.

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

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 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.

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

INDUSTRY DIVERSIFICATION (%)

	% of Fund	ICE BofA Global High Yield Index
Energy	14.14	14.30
Financial	12.64	11.81
Cable Operators	8.87	5.20
Services	7.39	6.80
Entertainment & Leisure	6.77	2.68
Healthcare	6.31	6.82
Media	5.80	2.15
Automotives	4.96	3.99
Wireless Communications	4.27	1.45
Information Technology	3.42	4.05

MARKET REVIEW

In Australian dollar terms, high yield bonds traded higher alongside equities in March amid growing confidence that the Federal Reserve would cut interest rates later in the year despite mixed growth and inflation signals. The below investment-grade market appeared to view persistent inflation pressures as manageable, while the asset class's technical conditions of healthy cash balances and modest net issuance prompted investors to view bouts of weakness as buying opportunities. Returns across the ratings spectrum were positive, and nearly all high yield industries posted gains.

The yield of the benchmark 10-year U.S. Treasury note decreased from 4.25% to 4.20% by month-end. The Labor Department reported that core (less food and energy) prices had increased 0.36% in February, slightly less than the previous month but above expectations. Some signs of cooling in the labor market and elsewhere in the economy may have reassured investors about inflation and interest rates. Although the nonfarm payroll report for February looked strong at the headline level with job growth exceeding expectations at 275,000, the gains stemmed almost entirely from part-time employment. The Labor Department later reported that the unemployment rate had risen to 3.9% in February, its highest level in over two years. The Fed's mid-month policy meeting revealed that policymakers still expect three rate cuts in 2024. In a press conference widely regarded as dovish, Fed Chair Jerome Powell expressed conviction that rate cuts will be delivered this year despite hotter-than-expected inflation reports in January and February, which Powell said, "haven't really changed the overall story."

The European Central Bank (ECB) left its key deposit rate unchanged at a record 4.0% but hinted that it could start reducing it in June. The central bank revised its inflation and economic growth forecasts lower and indicated that discussion on dialling back restrictive policy later in the year had begun. ECB President Christine Lagarde acknowledged that "good progress" has been made toward the 2.0% inflation target but said that the Governing Council still needed to be more confident that inflation was falling sustainably. "We will know a lot more in June," she said, adding that there was broad agreement on that point.

The Bank of England (BoE) kept its key interest rate unchanged at 5.25% for a fifth consecutive time, although the 8–1 vote in favor appeared to send a more dovish signal. Two previously hawkish policymakers dropped their calls for a hike in borrowing costs; another backed an immediate cut. Governor Andrew Bailey said: "We are not yet at the point where we can cut interest rates, but things are moving in the right direction."

In the developing world, deflationary pressures continued to weigh on China's economy. The consumer price index rose an above-consensus 0.7% in February from the prior-year period, reversing January's 0.8% decline and marking the first positive reading since August. However, the producer price index fell 2.7% from a year ago, accelerating from January's 2.5% drop and marking the 17th monthly decline, the longest streak of declines since 2016.

FUND REVIEW

The fund underperformed the benchmark ICE BofA Global High Yield Index over the month ended 31 March 2024.

Credit selection in the energy segment contributed, partly due to independent energy company Comstock Resources (CRK), one of the largest gas producers in the low-cost Haynesville shale. The 2019 transformative acquisition of Covey Park positioned the company with decades of low-cost drilling locations, which provide ample asset coverage. With the help of high commodity prices, CRK rapidly de-leveraged, and management has expressed interest in being minimally levered going forward notwithstanding the recent increase in spending to substantially increase the inventory base.

Security selection in the health care segment added value, partly due to for-profit hospital company Community Health Systems (CYH), which operates hospitals in non-urban and mid-sized markets across the U.S. Utilization continued to be strong as CYH saw positive volume momentum continue during 1Q24. Management expects at least another USD$60 million reduction in contract labor costs this year, about half of which should flow through to EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). The mid-point of CYH's guidance assumes 70 basis points* margin expansion for the year, which should be achievable given volume and reimbursement growth, as well as stabilization in labor costs.

Selection and our overweight among cable operators dragged. The negative credit selection impact was partly due to Altice. The change in strategy announced by the company's management in March to further reduce leverage in Altice France by forcing bondholders to take a haircut led to a significant negative price development, particularly within the unsecured bonds. Given the portfolio's overweight in the name, this had a meaningful negative performance impact. Nevertheless, we continue to hold the bonds as we think we can negotiate a better outcome for bondholders and investors in the portfolio than what is currently priced in by the market.

Credit selection in the wireless communications segment detracted, partly due to Asurion, a leading provider of mobile protection services. The credits sold off late in the period—and subsequently recovered—amid an allegation of noncompliance related to a customer contract. Despite some uncertainty around the impacted customer relationship, we maintain our conviction in Asurion.

OUTLOOK

Increased volatility at the end of 1Q24 was mostly concentrated in highly levered, lower-quality names. Positive fundamentals combined with favorable technical conditions and valuations remain supportive for the below investment-grade market as a whole, as does the promise of falling interest rates this year.

Although benchmark yields in the 7.5% to 8.0% range appear somewhat low compared with the highs of around 9% at the end of October, they remain attractive relative to the yields seen during a longer period of recent history. Since 2013, yields have only been above 7.5% during the current inflation-driven cycle, the 2020 coronavirus pandemic sell-off, and the early 2016 commodity price crash.

High yield issuers' fundamentals remain strong, despite some measures normalizing from historical highs. Although companies will be issuing new debt at higher rates this year, many will do so in a laddered manner with only a portion of their debt maturing over the next two years, while likely benefiting from falling interest rates in 2024.

*A basis point is 0.01 percentage points.

CONTACT US

For more information about the Fund, please contact our Relationship Management team on 02 8667 5700 or visit www.troweprice.com

FUND INFORMATION

Minimum Investment Amount	$50,000 AUD
APIR	ETL8226AU
ARSN	638808545
Inception Date	04-May-2020
Benchmark	ICE BofA Global High Yield Index (AUD Hedged)
Management Fees and Costs^	0.77% p.a.
Distribution	Monthly
Buy/Sell	Buy +0.35% / Sell -0.35%

^The Management Fee for the T. Rowe Price Global High Income Fund (S Class) is 0.77% 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

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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.

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