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AUSTRALIAN UNIT TRUST PORTFOLIO UPDATE

T. Rowe Price Global High Income Fund – S Class

As of 31 August 2022

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	2.8
Ford Motor	2.0
AES Corp/VA	1.4
Aggreko	1.3
Castle UK Bidco	1.1
Eg	1.1
Banco Bilbao Vizcaya Argentaria	1.1
Vnet	1.1
Golden Goose	1.1
Charter Communications	1.1

REGIONAL DIVERSIFICATION (%)

	% of Fund	ICE BofA Global High Yield Index (AUD Hedged)
North America	46.6	57.8
Europe	22.6	24.2
Latin America	14.4	9.1
Middle East & Africa	5.3	3.1
Pacific Ex Japan	2.3	4.4
Japan	0.0	0.8

PORTFOLIO CHARACTERISTICS[2,3]

	Fund	ICE BofA Global High Yield Index (AUD Hedged)
Number of Holdings	192	3,549
Weighted Average Coupon	5.84%	5.33%
Weighted Average Maturity	6.93 Years	5.53 Years
Current Yield[5]	6.72%	6.18%
Yield to Maturity	8.76%	8.56%
Average Credit Quality[6]	B+	BB-

[#] Represented by the number of holdings of the underlying component portfolios - Global High Income Bond (194) and Floating Rate Loan (0). 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 – S Class (Net - AUD)*	-1.15%	-4.24%	-14.60%	-15.51%	1.28%
ICE BofA Global High Yield Index (AUD Hedged)	-1.61	-4.04	-12.80	-13.60	2.27
Value Added (Net)[4]	0.46	-0.20	-1.80	-1.91	-0.99

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)
Energy	12.19	13.83
Cable Operators	9.33	2.92
Financial	8.80	11.49
Short-Term	8.74	0.00
Healthcare	7.25	7.35
Automotives	6.70	4.97
Services	6.04	5.37
Broadcasting	4.94	2.17
Entertainment & Leisure	4.85	2.11
Wireless Communications	4.54	1.83

MARKET REVIEW

In Australian dollar terms, high yield bonds across the globe posted negative returns in August. Below investment-grade markets in the U.S. and Europe posted the weakest results amid expectations for tighter monetary conditions in the U.S. and Europe. Higher yields, shorter durations, and more central banks that are farther along in their hiking cycles supported emerging markets high yield corporate bonds.

The yield of the benchmark 10-year U.S. Treasury note finished the month at 3.16%. Persistently high inflation in most countries led to interest rate hikes in several markets. U.S. Fed Chair Jerome Powell delivered a concise and generally hawkish message in his much-anticipated Jackson Hole speech, which led to a reversal in expectations for a deceleration in U.S. rate hikes and caused U.S. Treasury yields to move sharply higher. U.S. inflation data was slightly cooler than expected, providing some hope that inflation had peaked, despite being far-higher than the Fed's target. Euro area inflation hit a new annual record, increasing expectations for a significant rate hike at the European Central Bank's next meeting. Conversely, China's central bank cut its one-year and five-year loan prime rate and one-year medium-term lending facility rate to help spur demand amid benign inflation and a marked decline in total social financing.

High yield funds reported an outflow of USD 1.3 billion, reversing course from last month's inflow. According to J.P. Morgan, 11 deals priced for USD 8.1 billion in August. The average spread to worst for the ICE BofA Global High Yield Index held relatively steady, compressing by six points month over month and finishing the period at 559 basis points*.

FUND REVIEW

Credit selection in the healthcare segment contributed to relative performance, partly due to avoiding beleaguered Bausch Health. The heavily indebted pharmaceutical company faces significant patent challenges on one of its most profitable drugs. The company proposed a debt restructuring, which led to some credit ratings downgrades. Selection of Cano Health added to relative results as reports of acquisition interest in a related company led to increased expectations for M&A activity in the healthcare industry.

Security selection in the BB rating tier was beneficial, partly due to our positioning in natural gas processor DCP Midstream. As one of the largest natural gas liquids and natural gas processors in the US, DCP Midstream has a diverse asset base and benefits from the support of two strong ultimate parents, Enbridge, and Phillips 66.

Credit selection in the cable operators space weighed on relative returns, partly reflecting declines in Chilean telecommunications company VTR that reported weak second quarter earnings and faced market uncertainty due to proposals for universal access as part of constitutional reforms.

Security selection in the energy industry was a hindrance, partly due to Colombian quasi-sovereign oil company Ecopetrol amid concerns about the new government's energy plans. President Gustavo Petro's administration unveiled its tax reform plan that included a proposed oil export tax. Recent declines in oil prices also diminished enthusiasm for Ecopetrol's assets. Mexican state-owned oil company Petroleos Mexicanos also underperformed after requesting additional funding from the government to complete the Dos Bocas refinery.

OUTLOOK

Central banks fighting inflation by raising interest rates and eliminating stimulus amid slowing economic growth and war-related disruptions has created an unsettled macro environment. However, we believe high yield issuers have entered this challenging period from a position of strength, and we do not anticipate a meaningful increase in default activity during the rest of the year. The coronavirus created a survivorship bias in the high yield market as companies that weathered the pandemic generally emerged with healthy balance sheets and leverage below historical averages. The post-COVID abundance of liquidity in our market also allowed issuers to extend maturities and solidify their cash positions.

Historically, when the risk-free rate and credit spreads have reached current levels, we have seen strong one-year forward returns in the high yield asset class, which we believe bodes well for its performance in 2023. High yield bonds are typically redeemed prior to maturity. Therefore, we believe the index's current low dollar prices have resulted in spreads and yields that somewhat understate the asset class's true return potential, and investors should be fairly compensated for the increased risks during an economic downturn.

*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.au

The Management Fee for the T. Rowe Price Global High Income Fund (S Class) is 0.77% p.a. and the Indirect Cost is 0.10% 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.

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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.

IMPORTANT INFORMATION

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298 AFSL 240975) is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Stock Exchange (ASX:EQT). Equity Trustees and T. Rowe Price Australia Limited ("TRPAU") (ABN: 13 620 668 895 and AFSL: 503741) are, respectively, the responsible entity and investment manager of the T. Rowe Price Australian Unit Trusts.

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.

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