



T. Rowe Price Dynamic Global Bond Fund – I Class

As of 31 August 2020



Portfolio Manager:

Arif Husain

Joined Firm:

2013

Investment Experience:

24 Years



INVESTMENT OBJECTIVE

The Fund's objective is to maximise total return and provide income through investment primarily in a portfolio of fixed income securities which may include, but is not limited to, transferable debt securities of government and their agencies, supranational organisations, corporations and banks as well as mortgage-backed and asset-backed securities. There are no restrictions on the sectors or countries in which bond issuers are located.

TOP 10 ISSUE EXPOSURE¹

	Maturity Date	% of Fund
U.S. Treasury Bonds	15 Feb 2030	10.1
Russian Federal Bond - ofZ	03 Feb 2027	3.9
Philippine Government International Bond	26 Nov 2022	3.7
Indonesia Treasury Bond	15 May 2029	3.1
Bonos de la Tesoreria de la Republica en pesos	01 Mar 2026	2.2
Romania Government Bond	12 Feb 2029	2.2
Australia Government Bond	21 Dec 2030	2.0
Thailand Government Bond	12 Mar 2028	1.9
Landsbankinn HF	20 May 2024	1.8
Australia Government Bond	21 Jun 2051	1.8

SECTOR DIVERSIFICATION

	% of Fund
Treasury & Quasi Treasury	52.23
Corporate (including High Yield)	20.71
Securitized	6.46
Equity related	0.10
Cash & Cash Equivalents	20.51

PORTFOLIO CHARACTERISTICS^{1,2,3}

	Fund
Number of Holdings	131
Number of Countries	38
Weighted Average Maturity	5.44 Years
Weighted Average Effective Duration	4.81 Years
Weighted Average Spread Duration	-0.20 Years
Average Credit Quality	A
Yield to Maturity (including hedging)	1.29%

PERFORMANCE

	One Month	Three Months	Year-to-date	One Year	Three Years	Five Years	Since Fund Inception
T. Rowe Price Dynamic Global Bond Fund – I Class (Gross – AUD)*	0.01%	1.53%	7.11%	8.75%	3.01%	3.59%	4.26%
T. Rowe Price Dynamic Global Bond Fund – I Class (Net – AUD)**	-0.03	1.42	6.82	8.32	2.60	3.16	3.82
Bloomberg AusBond Bank Bill Index (AUD)	0.01	0.03	0.34	0.66	1.44	1.66	1.87
Value Added (Gross) ⁴	0.00	1.50	6.77	8.09	1.57	1.93	2.39
Value Added (Net) ⁵	-0.04	1.39	6.48	7.66	1.16	1.50	1.95

Past performance is not a reliable indicator of future performance.

Source for performance: T. Rowe Price.

* Gross-of-fees performance is the net return with fees and expenses added back.

** 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 derived using the portfolio's direct holdings 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 portfolio's direct holdings plus exposure from derivative instruments.

³ Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

⁴ The Value Added is shown as the Fund (Gross) minus its Index.

⁵ The Value Added is shown as the Fund (Net) minus its Index.

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BLOCK BOND ALLOCATION (ISSUE CURRENCY)¹

	% of Fund
Europe	15.5
North America	33.0
Latin America	4.9
Pacific Ex Japan	21.4
Middle East & Africa	2.1
Reserves	23.1

FUND REVIEW

The portfolio's overall duration level ended August at around five years. This was driven mainly by long duration stances in high-quality countries such as the U.S. and Australia.

In the eurozone, our overall positive bias was trimmed as we closed the long position in Spain after strong outperformance of periphery markets. Elsewhere, we maintained the long position in Cyprus and rotated our exposure in Italy out to the long end of curve.

Among other high-quality countries, we retained positive exposures in Israel, Thailand, China, Hong Kong, South Korea, and Malaysia. Elsewhere, the short duration stance in the UK with a bias for steepening was kept in place.

Within emerging market countries, we retained exposure in the local government bond markets of Chile, Brazil, Indonesia, the Philippines, India, Romania, Serbia, and Russia. To help mitigate some of the risk associated with our "return-seeking" positions in emerging markets, we maintained short duration positions throughout in Poland, Mexico, and, to a lesser extent, the Czech Republic.

In the currency sphere, the short U.S. dollar bias was increased during August. This was driven in part by adding to long positions in the euro and Australian dollar. The short position in the British pound was also trimmed over the period.

Within emerging market currencies, we added modest exposure over the month. This was done through trimming the short position in the South African rand and closing the short position in the Russian ruble.

In sectors, we moved to a modest negative credit profile overall during August as exposures in securitized credit were trimmed. Throughout, defensive short positions were maintained, primarily in the investment-grade credit space.

Put options on U.S. equities were maintained in August as a defensive hedge in the portfolio against a sharp rise in risk aversion.

CREDIT QUALITY DIVERSIFICATION²

	% of Fund
AAA	21.0
AA	0.3
A	7.5
BBB	29.0
BB	6.2
B	1.7
Not Rated	11.4
Reserves	23.1

DISTRIBUTION INFORMATION

	30 Sep 2019	31 Dec 2019	31 Mar 2020	30 Jun 2020
Distribution Rate (cents per unit)	0.17	0.16	0.32	0.17

PORTFOLIO PERFORMANCE

Within duration management, long positions expressed in high-quality countries such as the U.S. and Australia, detracted as yields on most developed government bonds rose during the period. Some of the losses were offset, however, by gains from short duration positions in countries such as the UK, Poland, and Mexico.

In the currency sphere, short positions in select emerging market countries, such as the Brazilian real and Turkish lira, boosted performance during August. A long position in the Australian dollar also added gains, while a long position in the Japanese yen detracted.

Within sectors, we continued to gain from exposures to select U.S. high yield corporate bonds and hard currency emerging market sovereign bonds. However, most of these gains were offset by losses from defensive hedging positions in equity and credit markets.

OUTLOOK

Overall, we believe a tactical approach is needed in the current environment. Any positive news on a vaccine could give further support to risk sentiment but put government bonds under pressure. At the same time, we have been mindful of risks that could trigger bouts of volatility in the future. This includes the renewal of U.S.-China tensions, the upcoming U.S. election, and the possibility of second coronavirus waves and further shutdowns.

As a result, we have maintained defensive hedging positions in place to keep risk in the portfolio balanced. We have also maintained a high level of duration with long positioning in a range of high-quality markets, such as the U.S. and Australia. This has given the portfolio enough flexibility to adapt quickly to changes in market conditions and take advantage of any pricing anomalies and dislocations that might occur in the future.

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²Calculated using the individual credit quality ratings for the direct holdings and without the impact from derivative instruments.

CONTACT US

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

FUND INFORMATION

APIR	ETL0398AU
Inception Date	18 February 2014
Benchmark	Bloomberg AusBond Bank Bill Index (AUD)
Management Fees	0.40% p.a.
Indirect Costs [^]	0.11% p.a.
Distribution	Quarterly
Buy/Sell	Buy +0.35% / Sell -0.35%
Total Assets	\$731,844,592.91 AUD

[^]Indirect costs are calculated and incorporate estimated amounts with reference to the relevant costs incurred during financial year ended 30 June 2019. Please refer to the Product Disclosure Statement for the Fund which is available at www.troweprice.com.au for further details. 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: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, T. Rowe Price will use Fitch for securities that are not rated by Moody's or S&P.

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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