T. Rowe Price Global Equity Growth Fund

Monthly Report - October 2020

Market Review

In New Zealand dollar terms, global equities lost ground in October amid surging coronavirus cases in the U.S. and Europe, lack of additional stimulus in the U.S., and uncertainty over the upcoming U.S. election.

U.S. stocks were down, marking the September-October period as the first back-to-back losing months since February-March. Surging coronavirus cases in Europe and other parts of the world weighed heavily on stocks at the end of the month, and daily cases in the U.S. exceeded records set back in the spring and summer. The inability of Congress to pass additional virus relief stimulus was another headwind that pressured equity markets. Differences between the Trump administration and House Democrats narrowed during the month, though a deal remained elusive. Political uncertainty ahead of the November 3 elections also weighed on sentiment.

Developed European stock markets were broadly negative, as investors worried that lockdowns aiming to control the coronavirus' spread could push the eurozone economy into a double-dip recession. Political uncertainty in the U.S. ahead of elections also weighed on sentiment. Although the eurozone economy rebounded at a faster-than-expected rate in the third quarter, economists and policymakers focused on forwardlooking data that showed declines in consumer and business confidence. German shares posted the deepest losses.

Developed Asian markets held up better than European stocks but were narrowly mixed. New Zealand posted positive returns, while Australian shares also rose. Singapore exhibited the worst returns in the region. Japanese shares were volatile but ended slightly higher. The Japanese government is looking into a third stimulus package to boost consumption, and the Bank of Japan lowered its economic growth outlook for the remainder of fiscal year 2020.

Emerging markets were a bright spot during the period, posting solid returns and outperforming developed markets, mainly driven by robust returns in Asia. Within Asia, Chinese equities outperformed, helped by the release of data showing a sustained recovery in the country's economy. The relatively small markets of Indonesia and the Philippines also outperformed. Latin American markets were mostly positive, with Mexico performing the strongest following the unveiling of an infrastructure plan which encompasses a number of public-private partnerships in sectors including communication, transportation, energy and water. Emerging European markets fared the worst. In Turkey, geopolitical tensions weighed on the currency, including a regional conflict between Armenia and Azerbaijan. Russian equities also underperformed due to oil price weakness.
Sector performance in the MSCI All Country World Index was mixed. Energy, health care, and information technology were the worst performers, while communication services and utilities performed best.

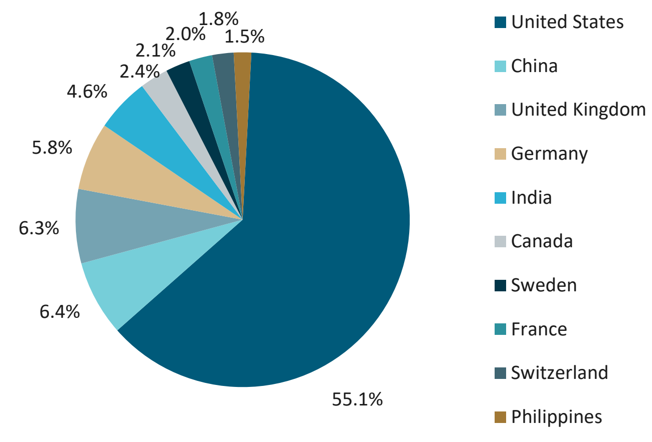
Performance

NZ dollar performance of the NZ Portfolio Investment Entity

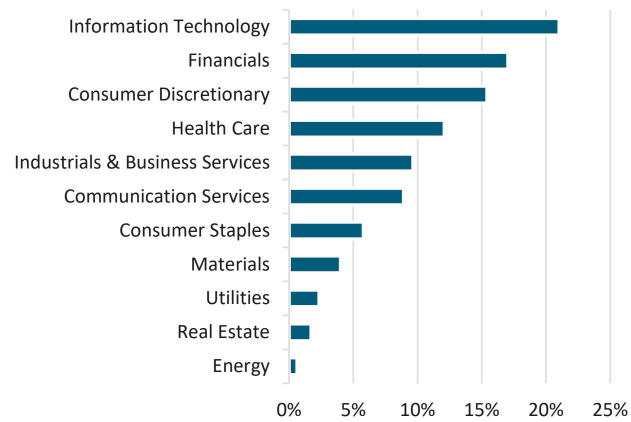
	1 mth	3 mth	1 yr (% p.a)	2 yr (% p.a)	3 yr (% p.a)	5 yr (% p.a)	Since inception (annualised)
Return (reflects no deductions)*	0.29%	5.18%	27.35%	23.46%	17.34%	16.47%	16.67%
Benchmark return (reflects no deductions)	-2.42%	1.00%	1.78%	8.02%	6.79%	8.62%	9.65%

Returns are before fees and taxes and in New Zealand dollars. Investor returns may differ. Inception date of the Fund is 7 November 2014. Actual performance will be affected by fund charges. Benchmark is the MSCI ACWI TR Index.

Geographical Diversification (Top 10)



Sector Diversification %



Top Ten Holdings

Holding	Country	Sector
Amazon.com	United States	Consumer Discretionary
Alibaba Group Holding	China	Consumer Discretionary
Alphabet	United States	Communication Services
Facebook	United States	Communication Services
Tencent Holdings	China	Communication Services
FedEx	United States	Industrials & Business Services
Evotec	Germany	Health Care
Morgan Stanley	United States	Financials
NextEra Energy	United States	Utilities
Danaher	United States	Health Care

Fund review

The fund outperformed the MSCI All Country World Index for the one-month period ended October 31, 2020. Snap was the largest relative contributor in the portfolio. Snap, which owns social media app Snapchat, spiked on extremely impressive results, with much better than expected revenue and earnings driven by a steep rebound in advertising.

T. Rowe think Snap represents a uniquely compelling opportunity given the platform's growing popularity among Generation Z, nascent monetization, and the firm's solid plans to increase user growth and revenue through investments in its salesforce as well as new Discover content and Augmented Reality. At the sector level, stock selection in communication services contributed the most to relative returns, led by Snap, Tencent Holdings, and Alphabet. Conversely, holdings in materials hurt relative results, most notably our position in Symrise.

T. Rowe Price Outlook

T. Rowe think we are now at a point where tactically it makes sense to be more prudent than two or three months ago as there are still a number of significant risks for investors to contend with. Firstly, there is a resurgence of coronavirus cases in Europe and an extended first wave in many places in the U.S. It has proven more difficult to keep the spread at bay and, even though there are many vaccine candidates in development utilizing diverse technologies and platforms, it is far from a certainty that we will have an effective near-term solution. Secondly, China-U.S. tensions are flashing amber and could worsen ahead of the U.S. presidential election in November. Thirdly, the election itself is a difficult call at this point. A Biden victory would likely usher in a less business friendly regulatory and tax regime, but we would also presumably experience some geopolitical calming. Fourthly, the growing possibility of a hard Brexit, which could be viewed as a negative modifier if it were

The breathtaking amount of fiscal and monetary stimulus from governments and central banks in both developed and emerging economies since March has created a firmly entrenched narrative that we are in an extremely low interest rate environment for longer, in a world with extremely low growth. T. Rowe have seen a clear demarcation of winners and losers with the ongoing health crisis rapidly accelerating what were already durable secular trends, and with limited alternatives for investors, more money has been chasing those winners. Concurrently, they are seeing other investor behaviors and broad sets of data points that suggest some areas of the market could be early in a bubble. These prospects just raise the complexity of the environment we are in and re-emphasizes the importance of focusing on the portfolio stock by stock.

With these increasing risks creating a higher degree of difficulty in navigating markets, T.Rowe are maintaining a broadly balanced portfolio with sector exposures relatively neutral to our core benchmark. T.Rowe still own a blend of structural winners, durable compounders, and higher yielding names that held up well during the March equity selloff but lagged on the way back up. The continued strong performance of developed equity markets relative to their emerging markets counterparts has led to our EM weighting trending modestly lower. However, in a low growth world, T.Rowe continue to think investing in the fast-growing emerging market countries, such as India, Indonesia, Philippines, Vietnam, and Peru, will be more important than ever.

While T.Rowe have a more cautious near-term outlook for global equities, they continue to like what they own in the portfolio and remain more constructive over the medium term given the scale of the stimulus efforts around the globe, which should further support risk assets. However, there are still significant and unpredictable risks to manage, and they think a measure of diversification remains key. With volatility likely to be an ongoing feature of markets near term, T.Rowe will remain focused on the holdings and make use of stock specific opportunities to upgrade the portfolio when they arise.

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