

Australian Equity Q420 Review

Markets driven by two key events U.S. election & Vaccine news

I'm joined today by Randal Jenneke, who is head of Australian Equities and Portfolio Manager for the T. Rowe Price Australian equity fund. Thanks for joining us again today, Randal.

Good to see you.

I think most people would be happy to see the back of 2020, but how did you see the last few months of the year play out from a Aussie equity perspective?

It was a really strong end to the year. So if you looked at the December quarter, the Australian equity market increased by 13.7% and global equity markets did really well. Really, that was driven by two key events. So we had the U.S. elections, and while we didn't have the blue wave that some people expected, the Democrats still won. But more importantly, we had some really positive vaccine results, particularly from Pfizer and Moderna, showing a really high effectiveness of their vaccines against the coronavirus. So that really drove markets, as markets started to think about 2021 and a normalization of activity in different countries around the world.

I guess if we think about how Australia as a country has handled the pandemic, I mean, not withstanding what played out in Melbourne midway through the year, we seem to have done a pretty good job handling how it's played out and not having too severe lockdowns. Given the vaccine rollout and the euphoria, I guess, the markets took off the back of that, is there less upside for Australian equities?

I don't think so. I mean, as you point out, Australia has done an excellent job at suppressing the virus, and some states have wanted to eliminate the virus because we've done such a good job. Now that's probably not realistic. But what that does mean is that the domestic economy is in really good shape, much better shape than most other countries around the world and we could see that coming through in terms of retail sales, improvement in the housing market. So I think what that means for the Australian economy and the Australian equity market is that 2021 looks really good. So I think we're going to have a really strong recovery and it's going to be more sustained than probably some other countries around the world.

So with that relatively positive backdrop, then, how are you positioning the portfolio and what's your outlook for the next 12 months?

So we think that cyclicals are going to be the way that you want to certainly think about positioning yourself for 2021, and that's domestic cyclicals or growth cyclicals as we like to think about in a portfolio context, but also global cyclicals. That's really because, as I touched on earlier, we think we're going to have a really strong consumer environment, a strong housing marketplace. But also, the global backdrop is also one of recovery and that's going to help commodity prices, it's going to help the miners.

So in the portfolio, we are putting more money into cyclical growth companies, so think about platform businesses like Domain and like Seek, also some of the consumer discretionary names, and also, on the

global cyclical side, some of the miners, particularly the base metals companies, like in OZ Minerals for instance.

Great. Well, let's hope the markets are as positive of you for the next 12 months. Thanks very much, Randal. And thanks for your interest in T. Rowe Price. If you've got any further questions specifically about our Australian equity fund or any of our products that we offer for Australian investors, please reach out to your local T. Rowe Price representative. Thank you.

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