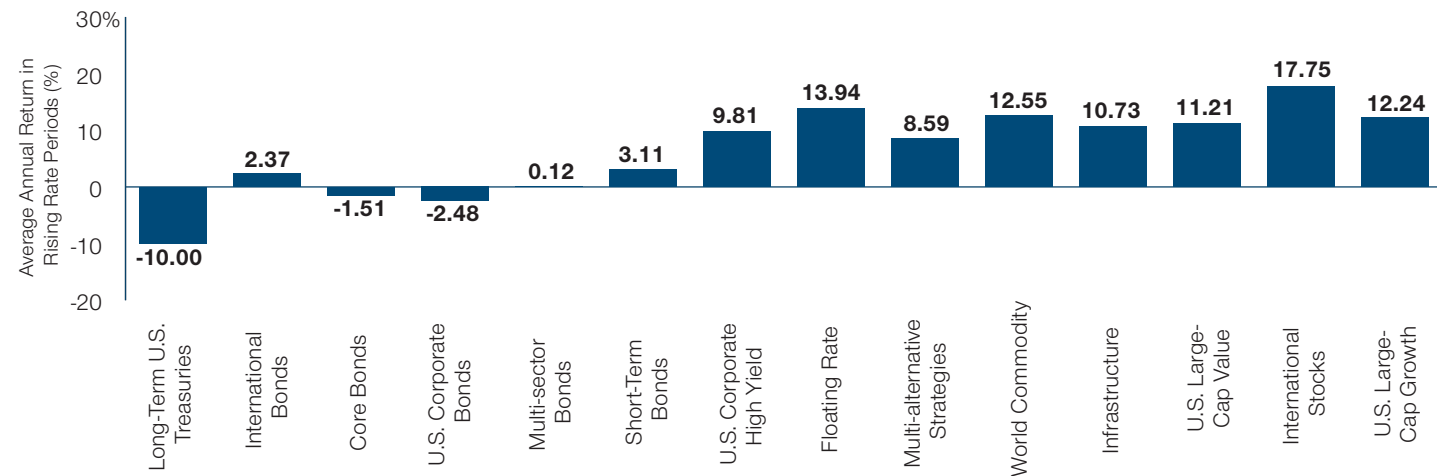




Historically, some asset classes performed better than others when interest rates rose

EQUITIES LED THE MARKETS

Asset Class
Performance in
Periods of Rising
Interest Rates



In the past...

- Traditional, longer-duration fixed income has been the most sensitive to rising rates.
- Nontraditional fixed income and yield-oriented equity provided yield with less sensitivity to rate increases.
- Growth and international equities tended to outperform in rising rate environments.

Past performance cannot guarantee future results.

Chart depicts average annual returns for the following periods of rising rates: 4/79–3/80, 10/80–9/81, 6/83–5/84, 10/86–9/87, 11/93–10/94, 2/99–1/00, 6/03–5/04, 7/05–6/06, 1/09–12/09, 9/12–8/13. Periods of rising interest rates represent 12-month periods that saw the largest increases in 10-year Treasury bond yields within broader periods of rising rates.

Long-term Treasuries are represented by Bloomberg Barclays Treasury Long Total Return Index, international bonds by Citi World Government Bond Index Non-USD USD, core bonds by Bloomberg Barclays U.S. Aggregate Bond Index, U.S. corporate bonds by Bloomberg Barclays US Credit Treasury USD, U.S. corporate bonds by Bloomberg Barclays U.S. Credit Treasury USD, multi-sector bonds by Bloomberg Barclays Global Aggregate Index, short-term bonds by Bloomberg Barclays U.S. Govt/Credit 1–3 Yr. Treasury USD, U.S. corporate high yield by Bloomberg Barclays U.S. Corporate High Yield TR USD, floating rate by S&P/LSTA Performing Loan Index (Total Return), multi-alternative strategies by Hedge Fund Research, Inc.'s HFRX Global Hedge Fund Index (Total Return) (HFRGH) (April 3, 2014) and Hedge Fund Research Inc.'s Regional Investment Focus Fund of Funds Index 1989–2003, world commodity by S&P GSCI TR, infrastructure by UBS Global Infrastructure & Utilities Index (Total Return), U.S. large-cap value by Russell 1000 Value Index, international stocks by MSCI EAFE Index GR USD, U.S. large-cap growth by Russell 1000 Growth Index.

Source: Morningstar Direct.

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. The views contained herein are as of 5/31/17 and may have changed since that time. Past performance cannot guarantee future results. All charts and tables are shown for illustrative purposes only. Expressions of opinions are those of the author(s) and are subject to change without notice.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell indexes. Russell® is a trademark of Russell Investment Group.



Performance is more than just returns

CONSIDER THE TAX IMPLICATIONS OF INVESTMENTS

Higher-yielding asset classes produced a tax drag

Morningstar Fund Categories	5-Year Average Tax Cost Ratio*	10-Year Average Tax Cost Ratio
U.S. OE High Yield Bond	2.42%	2.56%
U.S. OE Emerging Markets Bond	1.96	2.14
U.S. OE Long Government	2.18	2.16
U.S. OE Multi-sector Bond	1.75	1.92
U.S. OE Corporate Bond	1.55	1.73
U.S. OE Bank Loan	1.71	1.68
U.S. OE Global Real Estate	1.70	1.62
U.S. OE Tactical Allocation	1.27	1.40
U.S. OE World Bond	1.12	1.45
U.S. OE Foreign Large Value	1.08	1.14
U.S. OE Large Value	1.40	1.10
U.S. OE Large Growth	1.57	0.94
U.S. OE World Large Stock	1.05	0.82
U.S. OE Short-Term Bond	0.69	0.90
U.S. OE Commodities Broad Basket	0.36	1.72

■ Higher-yielding asset classes produced a tax drag of around 200 bps per year. Tax drag describes the potential loss in returns due to taxes.

* Measures how much a fund's annualized return is reduced by the taxes investors pay on distributions.

Source for Morningstar data: © 2017 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Calculated on May 16, 2017, for the most recent month-end.

T. Rowe Price Investment Services, Inc.