



T. Rowe Price Funds OIEC

DYNAMIC GLOBAL BOND FUND

Seeking consistent returns through fixed income market cycles

Fund snapshot

- An actively managed, diversified global bond portfolio with opportunistic currency and credit allocations
- Emphasises negative or low correlation to equity markets, especially during periods of heightened volatility, and downside risk
- Aims to produce modest and repeatable performance, regardless of the direction of interest rate movements

Asset class	Global fixed income
Inception	December 2016
Portfolio Manager	Arif Husain
Style	Defensive, moderate income
No of holdings	100-150
ISIN	GB00BD0NLR34

Investment Objective

To deliver positive returns (after the deduction of costs and charges), comprising of income and growth, over rolling 3-year periods. A positive return is not guaranteed over this or any time period and a capital loss may occur. The fund is actively managed and invests mainly in a portfolio of bonds of all types from issuers around the world, including emerging markets.

Fund overview






“Our strategy has three key goals: it seeks to generate regular income and returns for our clients, to minimize drawdowns and to provide genuine diversification away from the equity markets.”

Arif Husain | Portfolio Manager

Investors can no longer rely on the steady capital gains produced by global bonds during a four-decade-long bull market. Now, generating performance from global bonds requires a flexible approach and the ability to take opportunistic positions, including short exposure, across currency and credit markets.

The T. Rowe Price Dynamic Global Bond Fund combines the key benefits of a traditional fixed income strategy with a flexible and dynamic approach. It aims to generate performance, regardless of the interest rate environment.

Reasons to consider this fund

 <p>Sustainable Performance</p> <p>The Dynamic Global Bond fund aims to produce a regular and consistent stream of returns, whether from yield or capital appreciation, adding up to sustainable outperformance with bond-like volatility.</p>	 <p>Downside Risk Management</p> <p>The fund adopts a holistic and rigorous approach to risk management to protect clients on the downside, seeking to provide adequate diversification when equity markets and other risk assets undergo a correction.</p>	 <p>Low Correlation</p> <p>Many non-traditional bond funds promise diversification but in reality have high correlation to equity market returns. The Dynamic Global Bond fund demonstrates low correlation to key equity market indices.</p>
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Flexibility in a Shifting Economic Landscape



Quick takeaways

- Non-traditional bond fund like the T. Rowe Price Dynamic Global Bond Fund are able to adjust to changing market conditions by dynamically adjusting the portfolio duration
- These strategies are benchmark-agnostic and can invest in a wide range of fixed income sectors, geographies and security types
- When selecting a non-traditional bond fund, make sure to find one that has a track record of low correlation with risk assets such as equity markets

Defence against rising interest rates

For four decades, global interest rates have been on a downwards trend, generating handsome capital gains for anyone investing in bonds. But the 2020 coronavirus pandemic and the unprecedented monetary and fiscal stimulus that followed have put an apparent end to the bond bull market.

Now, with spectacularly high levels of inflation policymakers are being forced to apply the brakes through interest rate rises.

This means solely selecting long-only strategies may no longer work in fixed income markets. Instead, investors should also consider strategies that can adjust a portfolio's duration tactically in response to changing market conditions.

Such unconstrained bond strategies have the flexibility to go long or short interest rate and credit risk, allowing the portfolio manager to protect capital in different market conditions. The non-traditional bond fund category currently has a lower duration than many bond market sectors, offering potential resilience against rising interest rates.

Portfolio diversification and potential downside protection

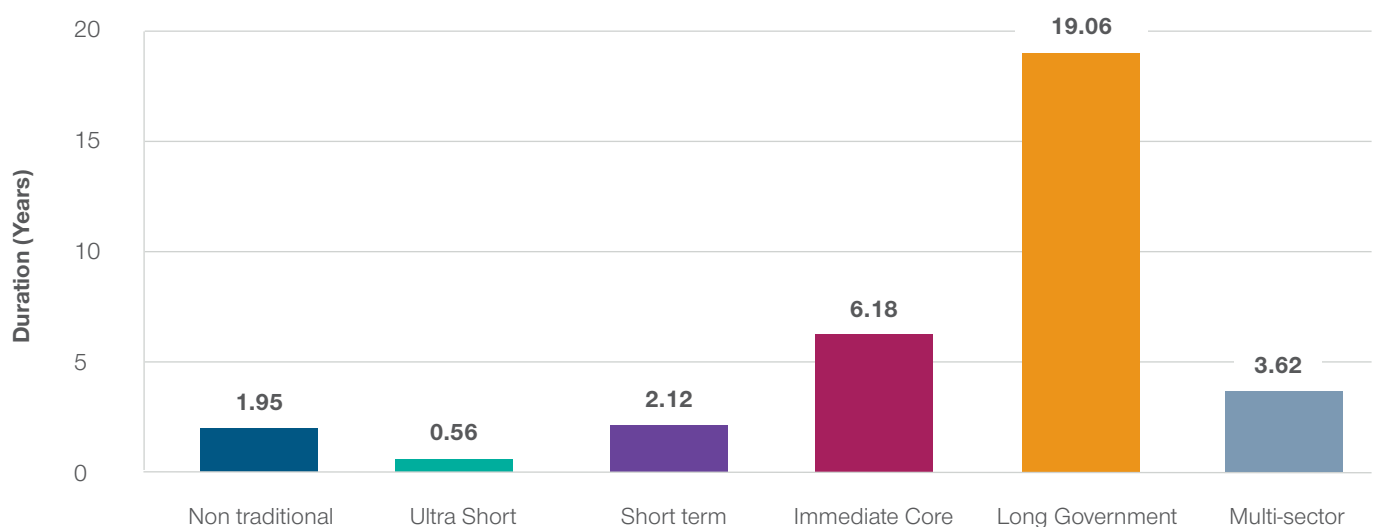
Non-traditional bond strategies are benchmark-agnostic and typically measure their performance against a wholesale market interest rate. They can cast a broader net than traditional bond funds, with the potential to invest in a wide range of sectors, geographies and security types. This provides for portfolio diversification and protection against market declines.

However, while non-traditional bond funds have significant flexibility, there are more differences than similarities amongst funds in this highly disparate category.

Potential investors should check that their dynamic bond strategy can demonstrate downside protection in a range of market environments. Many funds in this sector have in the past shown a high correlation to risk assets like the US equity market or simply rely on long interest rate exposure to diversify equity risk. A strategy that isn't effective when correlation relationships change.

Fig. 1: Non-traditional bond funds have a lower duration than many traditional bond sectors

Average duration, as of 31 December 2021



Sources: Source: Morningstar Direct with analysis by T. Rowe Price.

Our Investment Approach



Quick takeaways

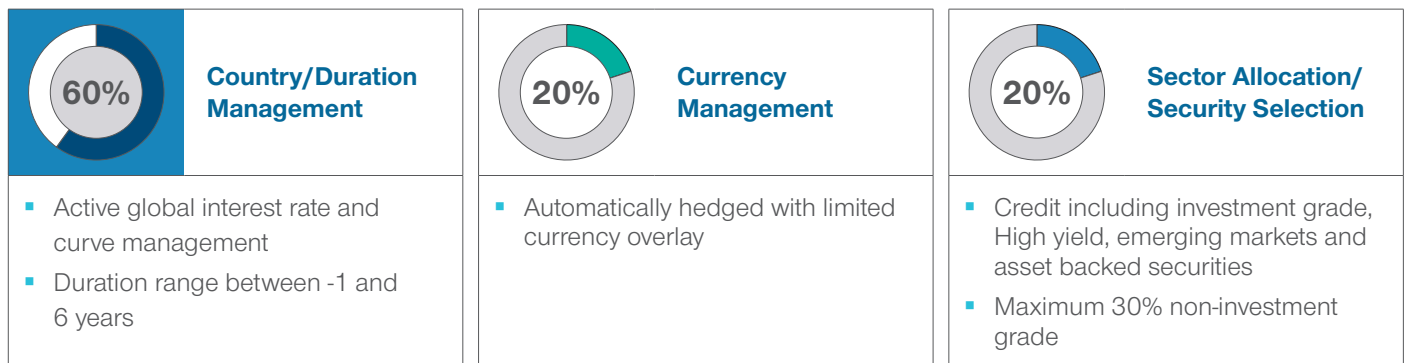
- Active global interest rate and curve management with -1/+6 year duration range
- Currency-hedged with a limited active currency overlay
- Credit includes investment grade, high yield and asset-backed with a maximum 30% non-investment grade

The Dynamic Global Bond fund is an actively managed, diversified global bond portfolio with opportunistic allocations to currency and credit markets with the objective of enhancing performance and managing risk.

We estimate that around 60% of the portfolio's value added will come from the active management of country and duration positions, with a permissible duration range of -1 to +6 years.

Around 20% of the portfolio's value added is expected to come from active currency management. And the remaining 20% of performance is likely to derive from credit exposures, including investment grade, high-yield, emerging market and asset-backed exposures (with a 30% overall limit on investments in non-investment grade fixed income).

Fig. 2: Expected contribution of value added



A disciplined and repeatable investment process across fixed income markets

We start by generating forecasts for the global fixed income markets, covering the macroeconomic outlook, fundamental and ESG analysis, valuation metrics and technical analysis.

We then select opportunities for the fund by comparing countries, currencies, sectors and issuers and measuring the strength of our convictions within an explicit risk/return framework.

We construct the portfolio using a qualitative and quantitative approach to positioning, sizing and hedging.

Finally, we monitor the portfolio on an ongoing basis, assessing performance against price targets, incorporating new information and checking liquidity profiles and ESG characteristics.

Holdings	100-150
Duration range	-1 to +6 years
Excess return target	Benchmark + 300bps p.a.
TE/Volatility target	200-500 bps p.a.
Fixed income sectors	Sovereign, agency, corporate, asset-backed, emerging market bonds and cash/cash equivalents
Countries/currencies	34 countries and 23 currencies (as of 31 March 2022)

Risks

The following risks are materially relevant to the fund:

China Interbank Bond Market risk – market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly.

Country risk (China) – All investments in China are subject to risks similar to those for other emerging markets investments. In addition, investments that are purchased or held in connection with a QF II licence or the Stock Connect program may be subject to additional risks.

Credit risk – A bond or money market security could lose value if the issuer's financial health deteriorates.

Currency risk – Changes in currency exchange rates could reduce investment gains or increase investment losses.

Default risk – The issuers of certain bonds could become unable to make payments on their bonds.

Derivatives risk – Derivatives may result in losses that are significantly greater than the cost of the derivative.

Emerging markets risk

– Emerging markets are less established than developed markets and therefore involve higher risks.

Interest rate risk – When interest rates rise, bond values generally fall.

This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.

Issuer concentration risk – To the extent that a fund invests a large portion of its assets in securities from a relatively small number of issuers, its performance will be more strongly affected by events affecting those issuers.

Liquidity risk – Any security could become hard to value or to sell at a desired time and price.

Prepayment and extension risk – With mortgage- and asset-backed securities, or any other securities whose market prices typically reflect the assumption that the securities will be paid off before

maturity, any unexpected behaviour in interest rates could impact fund performance.

Sector concentration risk – The performance of a fund that invests a large portion of its assets in a particular economic sector (or, for bond funds, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

Contingent Convertible Bonds – may be subject to additional risks linked to: capital structure inversion, trigger level, coupon cancellations, call extension, yield/valuation, conversions, write downs, industry concentration and liquidity, among others.

General fund risks

Capital risk – The value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the fund and the currency in which you subscribed, if different.

Counterparty risk – An entity with which the fund transacts may not meet its obligations to the fund.

Geographic concentration risk – To the extent that a fund invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk – A fund's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment fund risk – Investing in funds involves certain risks an investor would not face if investing in markets directly.

Management risk – The investment manager or its designees may at times find their obligations to a fund to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk – Operational failures could lead to disruptions of fund operations or financial losses.

Market risk – may subject the fund to experience losses caused by unexpected changes in a wide variety of factors.

Important information

The Funds are sub-funds of the T. Rowe Price Funds OEIC, an investment company with variable capital incorporated in England and Wales which is registered with the UK Financial Conduct Authority and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies and risks are located in the prospectus which is available with the key investor information documents in English, together with the articles of incorporation and the annual and semi-annual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors and via www.troweprice.com.

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