

T. Rowe Price Funds SICAV

# 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 negative movements in risk assets
- Aims to produce modest and repeatable performance, regardless of the direction of interest rate movements

|                              |  |
|------------------------------|--|
| <b>Asset class</b>           | Global fixed income                          |
| <b>Benchmark*</b>            | ICE BofA US 3-Month Treasury Bill Index      |
| <b>Inception</b>             | June 2015                                    |
| <b>Portfolio Managers</b>    | Adam Marden, Scott Solomon                   |
| <b>Style</b>                 | Defensive, moderate income                   |
| <b>No of holdings</b>        | 100 -150                                     |
| <b>ISINs</b>                 | LU1216622214 (I USD)<br>LU1216622305 (Q USD) |
| <b>SFDR classification**</b> | Article 8                                    |

## Fund overview



*"The Dynamic Global Bond Fund has three key goals: it seeks to generate regular income and returns for our clients, and to provide genuine diversification away from the equity markets."*

**Adam Marden** | Co-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



### Consistent Performance

The Dynamic Global Bond Fund aims to produce a regular and consistent stream of returns, whether from yield or capital appreciation, regardless of interest rate environment.



### Downside Risk Management

The fund adopts a holistic and rigorous approach to risk management, seeking to provide adequate diversification when equity markets and other risk assets undergo a correction.



### Consistent Performance

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.

When investing in funds, certain risks apply, which include those specific to investing in China, emerging markets and small and mid-cap stocks. The fund can also be affected by changes in currency exchange rates. For a full list of risks applicable to this fund, please refer to the prospectus.

\* The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

\*\* Sustainable Finance Disclosure Regulation (SFDR). Although the fund does not have sustainable investment as an objective, the promotion of environmental and social characteristics is achieved through the fund's commitment to maintain at least 50% of the value of its portfolio invested in issuers and/or securities that are rated as 'Green' by the T. Rowe Price proprietary Responsible Investor Indicator Model (RIIM).

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# Flexibility in a Shifting Economic Landscape



## Quick takeaways

- Non-traditional bond funds 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

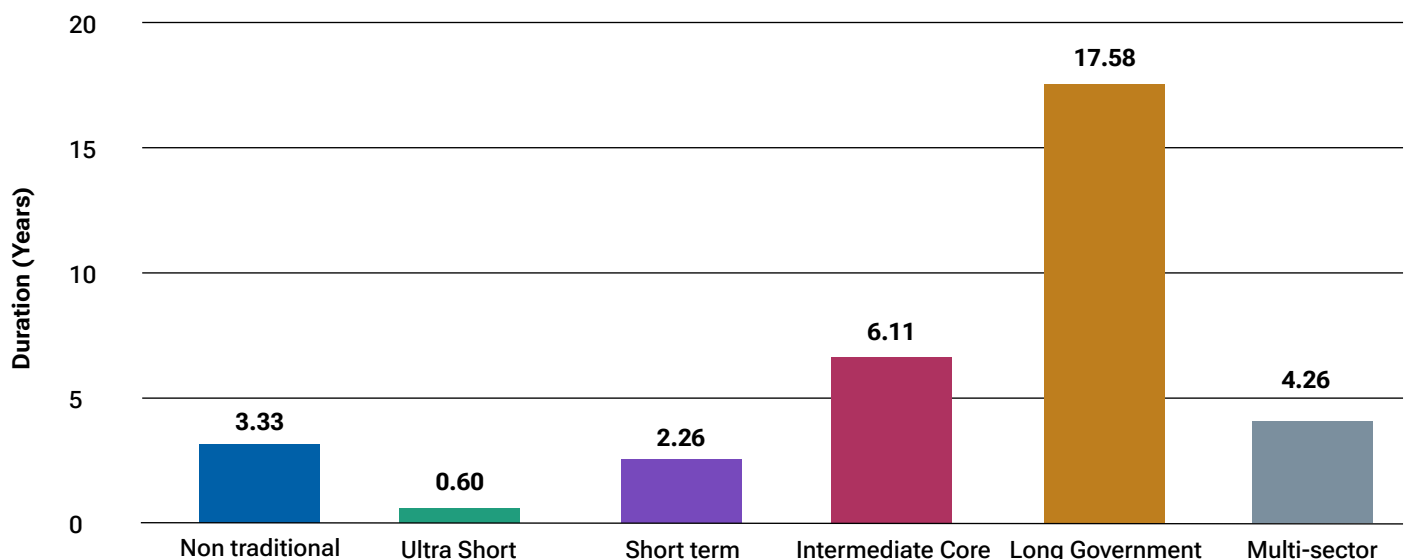
Non-traditional bond strategies are benchmark-agnostic and typically measure their performance against a wholesale market interest rate. They can cast a broader net than traditional bond funds, with the potential to invest in a wide range of sectors, geographies and security types. This provides for portfolio diversification and some 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 potential 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 March 2024



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# Our Investment Approach



## Quick takeaways

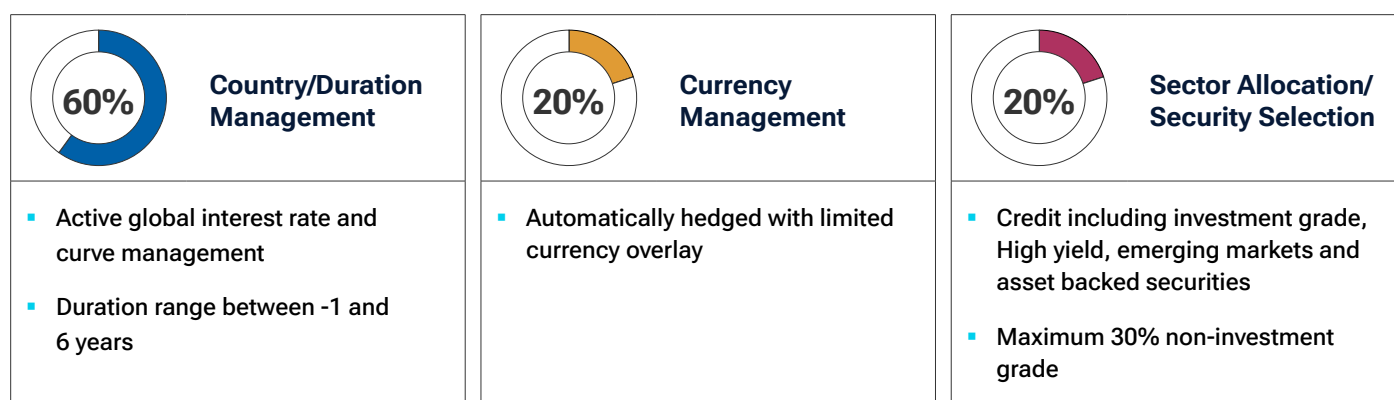
- Active global interest rate and curve management with -1/+6 year duration range
- Currency-hedged with a limited active currency overlay
- Credit includes investment grade, high yield and asset-backed with a maximum 30% non-investment grade

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. 1: 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  |
| Benchmark*           | ICE BofA US 3-Month Treasury Bill Index   |
| 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 | 40 countries and 23 currencies (as of 30 September 2022)                                    |

\* The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

## Risks - The following risks are materially relevant to the fund:

**ABS and MBS risk** – Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) may be subject to greater liquidity, credit, default and interest rate risk compared to other bonds. They are often exposed to extension and prepayment risk.

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

**Credit risk** – Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the fund.

**Currency risk** – Currency exchange rate movements could reduce investment gains or increase investment losses.

**Default risk** – Default risk may occur if the issuers of certain bonds become unable or unwilling to make payments on their bonds.

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

**Distressed or defaulted debt securities risk** – Distressed or defaulted debt securities may bear substantially higher degree of risks linked to recovery, liquidity and valuation.

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

**High yield bond risk** – High yield debt securities are generally subject to greater risk of issuer debt restructuring or default, higher liquidity risk and greater sensitivity to market conditions.

**Interest rate risk** – Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates.

**Issuer concentration risk** – Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the fund's assets are concentrated.

**Liquidity risk** – Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price.

**Prepayment and extension risk** – Mortgage- and asset-backed securities could increase the fund's sensitivity to unexpected changes in interest rates.

**Sector concentration risk** – Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the fund's assets are concentrated.

**Total return swap risk** – Total return swap contracts may expose the fund to additional risks, including market, counterparty and operational risks as well as risks linked to the use of collateral arrangements.

## General Fund Risks

**Counterparty risk** – Counterparty risk may materialise if an entity with which the fund does business becomes unwilling or unable to meet its obligations to the fund.

**ESG and sustainability risk** – ESG and Sustainability risk may result in a material negative impact on the value of an investment and performance of the fund.

**Geographic concentration risk** – Geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the fund's assets are concentrated.

**Hedging risk** – Hedging measures involve costs and may work imperfectly, may not be feasible at times, or may fail completely.

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

**Management risk** – Management risk may result in potential conflicts of interest relating to the obligations of the investment manager.

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

**Operational risk** – Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

## Important information

The Funds are sub-funds of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies, risks and sustainability information are located in the prospectus which is available with the key investor information documents (KIID) and/or key information document (KID) in English and in an official language of the jurisdictions in which the Funds are registered for public sale, 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. They can also be found along with a summary of investor rights in English at [www.funds.troweprice.com](http://www.funds.troweprice.com). The Management Company reserves the right to terminate marketing arrangements.

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