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Meet Peter Bates

Portfolio Manager, Global Select Equity Strategy

February 2023

Peter earned a B.B.A., magna cum laude, in business from Southern Methodist University and an M.B.A. in finance from the Wharton School, University of Pennsylvania.

21 years
of investment experience

18 years
with T. Rowe Price

Baltimore
Office Location

2020–Present
Portfolio manager, Global Select Equity Strategy

2013–2020
Portfolio manager, Global Industrials Equity Strategy

2004–2013
Joined T. Rowe Price and worked as a research analyst covering environmental services, railroads, agricultural equipment, and other industrial companies

Peter Bates has honed his expertise in the industrials sector over 18 years as an investment analyst and portfolio manager at T. Rowe Price. This was an ideal preparation for his role as portfolio manager of the new T. Rowe Price Global Select Equity Strategy. He brings a global perspective, an analyst's discipline of research, and a deep understanding of the business economics and operational strengths that make companies successful. Today, he applies his passion and experience to selecting what he believes are among the most compelling investment opportunities around the world.

Tell us about your background and what informed your decision to pursue a career in asset management.

When I entered the Wharton School M.B.A. program at the University of Pennsylvania, I knew I wanted to pursue a career in investment management because it is a meritocracy with measurable performance.

For my first eight years at T. Rowe Price, I was an analyst covering industrials. I had the tremendous luck to work with and learn from David Giroux, who covered industrials before me and has successfully managed a U.S. capital appreciation strategy for over a decade. David taught me to "know your businesses" and always focus on risk and return.[1] Given globalization trends 20 years ago with the emergence of China, I did a lot of traveling to Europe, Japan, China, and Brazil to seek out promising industrials investments. This experience gave me a deep understanding of global markets and the nuances of regional investing. I also spent a lot of time with our research teams across the globe, built deep relationships across this network, and gained a thorough understanding of the effectiveness of our global research platform.

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I became head of the global industrials sector team in 2012 and managed the sector portfolio for about eight years. I learned the difference between research and portfolio positioning. Being a global sector manager meant mentoring my analyst team in new ways and collaborating with diversified portfolio managers to help them navigate risks and opportunities in my sector.

How did you determine your area of specialization, and what makes your experience well suited to pursue the core objectives of the strategy?

Risk and return assessments are critical for successful investing in cyclicals, as many industrials are. If a security only has 20% potential upside, odds are that the risk/return profile is not very good, as most cyclical stocks inherently have 50% downside. That framework has helped me manage cyclicals for the Global Select Equity Strategy. When I invest in these kinds of companies, I seek opportunities where I believe the risk/reward profile skews more heavily in our favor. I pass if the the upside potential in a name does not appear high enough to justify the risk. I end up saying no to a lot of ideas because I run a highly concentrated portfolio that typically includes 30 to 45 stocks. Due to this level of concentration, the portfolio is likely to look different from many in my peer group. Many people ask the question, "What's your target return?" I choose to focus on generating attractive risk-adjusted returns because I believe that over time you could see more consistent overall performance—and hopefully do better when markets are weak or choppy.

Discuss your approach and how you aim to generate value on behalf of clients. Explain how you'll tap T. Rowe Price's research platform and other resources to pursue results.

One of the best things about coming from industrials is my experience with the global T. Rowe Price research team and the time I have spent in our regional offices. Our analyst platform is a powerful resource, and I know its capabilities well. In my opinion, the value that colleagues bring in sharing differentiated views on companies is unrivaled. Each investment I make has been thoroughly researched by an in-region analyst and vetted by sector and regional portfolio managers.

The value of teamwork cannot be overstated. I played basketball at Southern Methodist University and learned the value of cohesive teamwork. Also, as in sports, the harder you work, the better you generally do. These principles of disciplined and consistent effort underpin my investing approach today: Every day I work to get a little better.

How does this product compare and contrast with others in market?

The Global Select Equity Strategy allows me to pursue a vast opportunity set to build a concentrated portfolio based on my highest-conviction ideas. Many investors assume that concentration creates risk. But the number of names held is not a good proxy for risk. Even a portfolio with more than 100 holdings can end up with macro tilts because individual positions have similar factor exposures. We've seen that with a lot of investment products that exist today. We apply a multidimensional risk management lens to the strategy and seek to deliver a portfolio that has a majority of stock-specific risk and a high active share, at a target of about 90%.[2] We believe our high-conviction portfolio can offer balanced exposure across styles and market capitalizations and diversification of risk without sacrificing returns over the long term.

We employ a valuation framework and our knowledge of fundamentals as well as environmental, social, and governance (ESG) factors to help manage stock-specific risk and assess high-conviction ideas on a portfolio level to manage position size. We also integrate quantitative risk monitoring and conduct regular reviews to identify risk hot spots and ensure alignment to portfolio goals.

This holistic view is important because as investors, we see a lot of factor exposure in the market. Our portfolio construction is stock-specific, idiosyncratic, and mindful of factor risks. While we need to be aware of how macroeconomic conditions and variables impact the companies in which we invest, we invest

[1] On March, 7, 2022, T. Rowe Price Associates, Inc. (TRPA), transitioned 6 of our well-established U.S. equity and fixed income investment strategies to a new, separate, SEC-registered U.S. investment adviser, T. Rowe Price Investment Management. One of these 6 strategies was the U.S. Capital Appreciation Strategy.

[2] The expected investment parameters noted for the Global Select Equity Strategy are relative to the MSCI World Index and represent anticipated ranges of exposure at the time of purchase. Market fluctuations may cause actual exposure to fall outside these ranges.

> The Global Select Equity Strategy is constructed to create balance among key macro variables to help manage that risk.

in businesses, not the direction of macro variables. We focus on a company's ability to execute and improve, and we invest when the potential return appears favorable relative to the risk.

Our ESG approach is differentiated, in my view. We believe that ESG can create disruption because sustainability optimizes innovation and influences the impact that companies are making around the world. We have dedicated ESG specialists in our Responsible Investing and Governance teams who collaborate closely with our investment professionals and use proprietary evaluation tools to identify and analyze the impact of ESG factors on all our investments.[3]

Our ESG research helps me to layer in considerations that don't jump out of financial statements, like supply chain risk, environmental regulatory risk, governance factors, and competitive advantages borne from successful diversity and inclusion strategies. Most companies we invest in are proven, blue chip-style businesses that have exhibited steady growth—established businesses with revenue and earnings that we can evaluate over multiple cycles. We also seek to add alpha in both cyclically depressed and disruptive names that are either actively moving toward or already on the right side of change.

Describe your outlook and how the portfolio is positioned

I have to admit that my crystal ball is not the best when it comes to macro economics.

Has the Federal Reserve finished raising rates? Has inflation peaked? Will the Fed cut rates in second half of the year because of higher unemployment and a recession? When will the war between Russia and Ukraine end? Will geopolitical tensions in Asia ratchet higher? All these questions are important and will significantly influence markets in 2023.

However, I don't feel confident I can effectively predict accurate answers.

Managing a portfolio that is specifically geared to a set of top-down assumptions is not what I do. The Global Select Equity Strategy is constructed to create balance among key macro variables to help manage that risk.

This approach should allow the portfolio's performance to be driven by stock outcomes—and selecting good stocks is something where I believe we have an edge. By leveraging our robust research capabilities, I try to find investment ideas that have the right combination of idiosyncratic stock drivers and an appealing risk/reward profile. I believe this approach can be a source of strength in almost any macro environment.

Share with us your personal interests and how they might (or might not) intersect with your professional work.

My wife and I are deeply involved in helping our community through a charitable organization that serves the homeless who have addiction issues. This is a widespread issue, and the Helping Up Mission works tirelessly to house and support addicts recovering through treatment programs. Historically, there was no place for women addicts. But Helping Up recently completed a multiyear project to establish facilities to help women and their children. The opening of these facilities is a tremendous step forward.

My family is my foundation, and I'm very proud of my wife and my three kids. T. Rowe Price strongly emphasizes a healthy work/life balance, and, for me, it's made all the difference in the world.

I'm an empty nester, so I'm very excited for my wife and me to travel together. It's always been tough when I travel, leaving my wife to take care of the kids. But now she can come along with me. We're looking forward to going to Australia this year.

[3] For certain types of investments, including, but not limited to, cash, currency positions, and particular types of derivatives, an ESG analysis may not be relevant or possible due to a lack of data. Where ESG considerations are integrated into the investment research process, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

Risks—the following risks are materially relevant to the portfolio:

Currency Risk—changes in currency exchange rates could reduce investment gains or increase investment losses.

Emerging Markets Risk—emerging markets are less established than developed markets and therefore involve higher risks.

Issuer Concentration Risk—to the extent that a portfolio 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.

Sector Concentration Risk—the performance of a portfolio that invests a large portion of its assets in a particular economic sector (or, for bond portfolios, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

Small and Mid-Cap Risk—stocks of small and mid-size companies can be more volatile than stocks of larger companies.

General Portfolio 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 portfolio and the currency in which you subscribed, if different.

Equity Risk—in general, equities involve higher risks than bonds or money market instruments.

ESG and Sustainability Risk—May result in a material negative impact on the value of an investment and performance of the portfolio.

Geographic Concentration Risk—to the extent that a portfolio 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 portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment Portfolio Risk—investing in portfolios 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 portfolio 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 portfolio operations or financial losses.

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