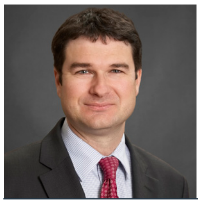
MEET JUSTIN THOMSON

An interview with Justin Thomson
Head of International Equity and Chief Investment Officer, T. Rowe Price.



Justin Thomson
Head of International Equity and Chief Investment Officer,
T. Rowe Price.

BIOGRAPHY

Career

Justin Thomson is Head of International Equity at T. Rowe Price. Justin is a member of the Management Committee and the chairman of the International Equity Steering Committee. He is a member of the Asset Allocation and ESG Committees. He is also the CIO (chief investment officer) for International Equities. He is a vice president of T. Rowe Price Group, Inc., and T. Rowe Price International Ltd.

Justin's investment experience began in 1991, and he has been with T. Rowe Price since 1998. From 1998 to 2020, he was the lead portfolio manager for our International Small-Cap Strategy. In 2008, he incepted our European Small-Cap Strategy and managed that until 2016. Prior to joining the firm, he was employed by G.T. Capital/LGT/Invesco, where he managed European small-cap, global small-cap, and German all-cap portfolios.

Professional & Education

Justin earned an M.A., with honours, in Economics from Cambridge University in 1990.

Justin, can you tell us something about your background?

Let me start by saying that I grew up in Asia, so I have very strong ties to the region. My parents came to Hong Kong in 1966, not on some generous ex-pat package or deal, but rather just in the hope of finding a job. Their timing was not good as it was the beginning of Mao's 'Cultural Revolution' in China. It was a very tough time indeed for Hong Kong. There were severe droughts and water rationing – with tap water only available for 4 hours every 4 days. So we went around filling up baths, buckets, saucepans – anything you could find – in order to have enough water to last for 4 days! Hong Kong was very dependent on China for its water supply, as it is today with 70 to 80 per cent coming from the Dongjiang reservoir in Guangdong. Back then, many Hongkongers feared it might be cut off by the Mainland.

Hong Kong's stock market entered a protracted bear market in 1965, beginning with a run on the Canton Trust Bank run. This was followed by another plunge due to Leftist riots in 1967. This particular grizzly bear was to last until 1978. So the local stock market was hardly a great source of inspiration for me during my early years in Hong Kong. I should note, however, that on a long-term view the Hang Seng index has risen from 66 on my arrival in 1966 to over 22,000 today[1], a compound annual return of almost 11.0 per cent!

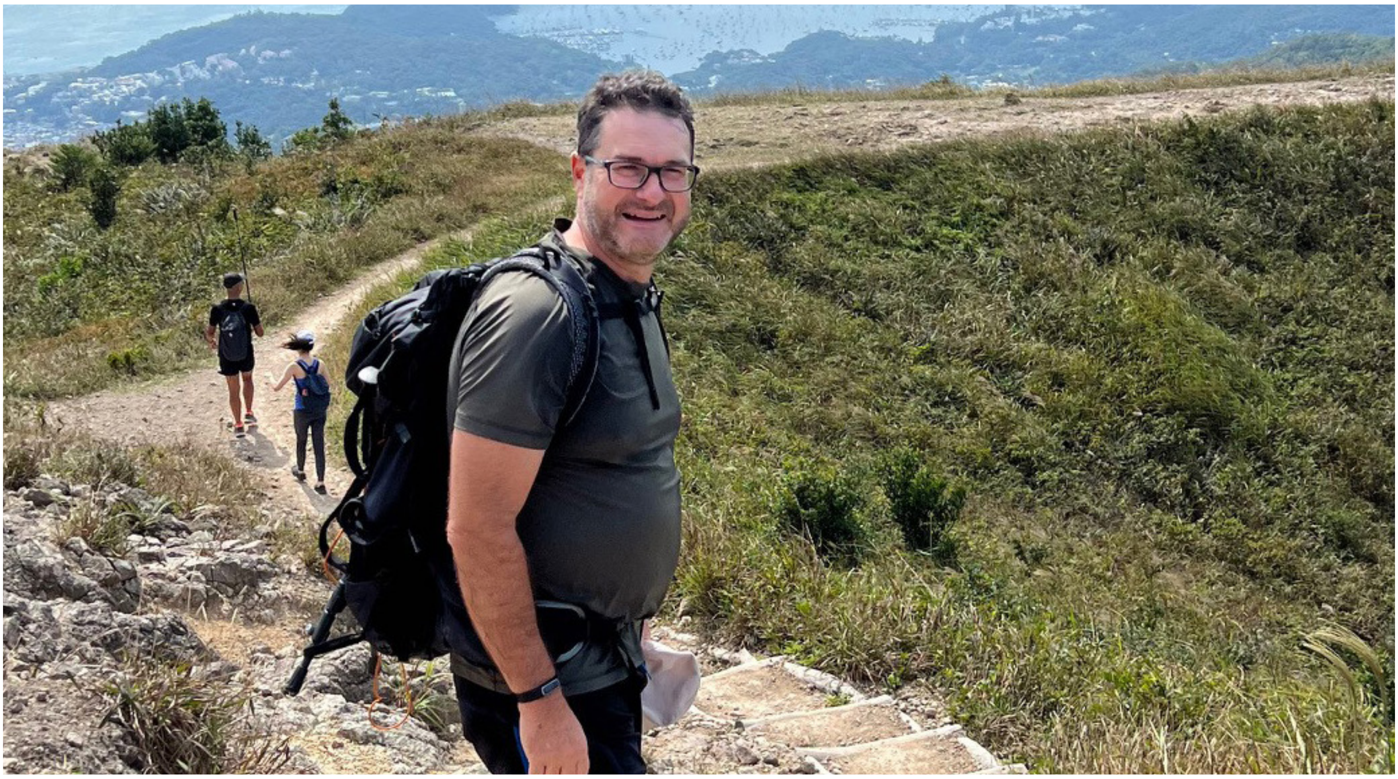
There are some parallels between the political challenges then and the protests and disruption in 2019 followed by the COVID pandemic. The important point for me is that the city is resilient and always manages to bounce back, as does its stock market. And this is what I expect to see from Hong Kong going forward, in 2023 and beyond.

So what made you choose a career in asset management?

After reading economics at Cambridge, I think I can fairly say that it was my career that chose me! I had become fascinated by the history of financial markets. Looking at demographic and retirement trends in 1990, it seemed that asset management was likely to be a growth industry and thus a good career choice. I would still recommend asset management to today's graduates, even though demographic trends are less favorable. I truly believe that with application, the right attitude, and a desire for personal growth, over time you can become a better investor and map out a satisfying career path.

For me, the 'Eureka moment' when I realized that being a fund manager came with the understanding that the job came with tremendous fiscal responsibility to clients. As one good example, one early client account was a municipal firefighters' pension fund, where workers had not earned

[1] Although the Hang Seng Index was first published in November 1969, its base of 100 was set equivalent to the constituent stocks' total value on July 31, 1964, allowing the index to be calculated for years prior to inception.



Hiking with APAC colleagues in Hong Kong in November.

huge sums over their lifetime and where a significant minority had work-related disabilities. We in asset management can clearly have a significant impact on the financial outcomes in retirement of working people. So it becomes less about how much you earn as an asset manager, or the size of your annual bonus, and more about maintaining and hopefully improving the financial wellbeing of our clients around the world. I have always believed that it is the overriding fiduciary responsibility to clients that is the real source of job satisfaction for a fund manager.

How do you think Hong Kong has changed over the years?

Well, over the past fifty years, there has clearly been an incredible accumulation of wealth that's happened here. Back in 1966 there was much poverty and hardship for many of Hong Kong's citizens, who had to stand on their own two feet, as they could expect to receive little help from the government in those times. Fast forward to today, and Hong Kong has become an international financial centre with a high-income economy and a per capita GDP of close to USD50,000 that ranks 16th in the world.[2]

In asset management I see fewer Western faces and more Asian faces in Hong Kong today, which is good since most expats come and go. But what doesn't change is the sheer energy of the place - the dynamism, resourcefulness, and resilience of the people of Hong Kong. This is a key message that I would like to get across. Hong Kong is a highly resilient place. I believe it is capable of a strong recovery from the negative shocks of the past four years. You can once again see the energy bursting through on the streets of Hong Kong. Reports in the Western financial media of the demise of Hong Kong are entirely premature and will soon be seen to be false. Hong Kong remains uniquely positioned as an international financial centre, as the gateway or indeed the airlock between global capital and China. In terms of equity capital markets, IPOs etc, Hong Kong remains the region's premier financial centre.

Last November I was able to visit T. Rowe Price's Hong Kong office for six weeks. It was a period of total immersion, allowing me to really get to know more of our APAC employees, which has been a great privilege. I would specifically like to thank Derek Yuen for organizing weekend walks on the Maclehose Trail, a real bonus for me during my visit. We had great autumn weather and about sixty plus associates joined me at different stages of the trail. If you really want to get to know someone, then if you're forward facing as on a trail walk, you will have a better conversation. Really, I don't know if there's any truth in that, but it was certainly great fun. I think we achieved a lot in terms of bringing together colleagues who had only recently joined the company, also bringing people together from

[2] Excludes the tax havens of Cayman, Bermuda and Liechtenstein and the microstates Monaco and Luxembourg.

different functions and teams.

After such a turbulent start to the 2020s, will the market environment remain challenging? How should investors adjust to a world of lower returns and higher risks?

Firstly, I believe that the era of benign disinflation, ultra-low interest rates and abundant central bank liquidity are indeed over. So our job as fund managers is to figure out what that means over the medium to longer term - which asset classes are likely to succeed, and which asset classes are likely to perform less well. There will almost certainly be opportunities and those opportunities will often turn up in surprising places. It's really up to portfolio managers like us to figure out where and when they are going to occur.

On the question of the higher risks facing today's investors, I would argue that there are always risks. If there were no risks, there would surely be no need for portfolio managers. I think people often confuse risk with volatility, failing to make any distinction between them. My fundamental definition of risk suffer a permanent diminution of capital or the risk of material underperformance versus benchmark. This is not the same thing as market volatility. I think the reason why so many investors worry so much about volatility is because it tends to be associated with corrections and downward trending markets, so volatility and risk tend to get conflated in the mind of the investor.

As an active fund manager, volatility can be your friend. It can throw up both market and individual security opportunities, and we need to be alive to those opportunities. It may be the period of low volatility since the global financial crisis and QE that is abnormal. Taking a longer historical lens, the post-pandemic period that we're currently going through may actually represent the return to a more normal volatility regime. If so, everything we do today as investors - whether in the context of high valuations, ultra-low interest rates, or suppressed volatility - we should think of in terms of a transition to a different investment regime than that which has prevailed for the past decade and a half. This brings challenges, but I think that what's really interesting is that the world adapts and learns from each crisis.

How important are ESG and DEI concerns to T. Rowe Price? Do you think they are being sufficiently incorporated into the firm's investment process?

ESG is deeply embedded across all our investment work and ESG metrics are part of an investor's annual appraisal. It is clearly an issue of importance to many of our institutional clients. Part of our job is to make sure that we are giving our investors the right choices, providing strategies and services that they want, and this includes ESG and Impact funds.

At Management Committee levels T. Rowe Price has key goals around diversity. I am an executive sponsor for ' Women and Investments,' a body where we as a firm try to think about how we can best recruit, develop, and promote women in asset management. I think it's worth saying that a lack of gender awareness is an industry-wide phenomenon, and greater efforts are needed to eradicate any biases we might have. To my mind, the ESG revolution is not a passing event, but is likely to be a long-term phenomenon. It's become obvious that climate change is a growing part of ESG today. It is an area where I strongly believe that we asset managers can help to drive positive change.

Finally, Justin, can you please share with us your personal interests and how you relax outside work?

Well, the first point is that outside of work and family, for me there is not a great deal of time left. I like to go hiking when I can. And during the lockdown we got a puppy, never having kept a dog before, which has brought us all a lot of joy. Basically, I'm a family man with three children aged twenty two, nineteen and seventeen. My daughter is the eldest and she has a profound and multiple learning difficulty (PMLD). So much of my time outside work is spent thinking about her well-being and development, where I of course do my best. But this is nothing in comparison to the time and effort that my wife Kate devotes to our daughter each and every day. For this I am forever grateful, as it is thanks to my wife's devotion to our daughter that I have been able to throw myself into my work and career. Without the support of my wife, I would not be here today giving you this interview.

IMPORTANT INFORMATION

Where securities are mentioned, the specific securities identified and described are for informational purposes only and do not represent recommendations.

This material is being furnished for general informational purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date noted on the material and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

Australia — Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. For Wholesale Clients only.

Brunei — This material can only be delivered to certain specific institutional investors for informational purpose only. Any strategy and/or any products associated with the strategy discussed herein has not been authorised for distribution in Brunei. No distribution of this material to any member of the public in Brunei is permitted.

Mainland China — This material is provided to qualified investors only. No invitation to offer, or offer for, or sale of, the shares will be made in the mainland of the People's Republic of China ("Mainland China", not including the Hong Kong or Macau Special Administrative Regions or Taiwan) or by any means that would be deemed public under the laws of the Mainland China. The information relating to the strategy contained in this material has not been submitted to or approved by the China Securities Regulatory Commission or any other relevant governmental authority in the Mainland China. The strategy and/or any product associated with the strategy may only be offered or sold to investors in the Mainland China that are expressly authorized under the laws and regulations of the Mainland China to buy and sell securities denominated in a currency other than the Renminbi (or RMB), which is the official currency of the Mainland China. Potential investors who are resident in the Mainland China are responsible for obtaining the required approvals from all relevant government authorities in the Mainland China, including, but not limited to, the State Administration of Foreign Exchange, before purchasing the shares. This document further does not constitute any securities or investment advice to citizens of the Mainland China, or nationals with permanent residence in the Mainland China, or to any corporation, partnership, or other entity incorporated or established in the Mainland China.

Hong Kong — Issued in Hong Kong by T. Rowe Price Hong Kong Limited, 6/F, Chater House, 8 Connaught Road Central, Hong Kong. T. Rowe Price Hong Kong Limited is licensed and regulated by the Securities & Futures Commission. For Professional Investors only.

Indonesia — This material is intended to be used only by the designated recipient to whom T. Rowe Price delivered; it is for institutional use only. Under no circumstances should the material, in whole or in part, be copied, redistributed or shared, in any medium, without prior written consent from T. Rowe Price. No distribution of this material to members of the public in in any jurisdiction is permitted.

Korea — This material is intended only to Qualified Professional Investors. Not for further distribution.

Malaysia — This material can only be delivered to specific institutional investor. This material is solely for institutional use and for informational purposes only. This material does not provide investment advice or an offering to make, or an inducement or attempted inducement of any person to enter into or to offer to enter into, an agreement for or with a view to acquiring, disposing of, subscribing for or underwriting securities. Nothing in this material shall be considered a making available of, solicitation to buy, an offering for subscription or purchase or an invitation to subscribe for or purchase any securities, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase or sale would be unlawful under the laws of Malaysia.

New Zealand — Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 28, Governor Phillip Tower, 1 Farrer Place, Sydney NSW 2000, Australia. No Interests are offered to the public. Accordingly, the Interests may not, directly or indirectly, be offered, sold or delivered in New Zealand, nor may any offering document or advertisement in relation to any offer of the Interests be distributed in New Zealand, other than in circumstances where there is no contravention of the Financial Markets Conduct Act 2013.

Philippines — ANY STRATEGY AND/ OR ANY SECURITIES ASSOCIATED WITH THE STRATEGY BEING DISCUSSED HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE OF THE STRATEGY AND/ OR ANY SECURITIES IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE, UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

Singapore — Issued by T. Rowe Price Singapore Private Ltd. (UEN: 201021137E), 501 Orchard Rd, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is licensed and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

Taiwan — This does not provide investment advice or recommendations. Nothing in this material shall be considered a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person in the Republic of China.

Thailand — This material has not been and will not be filed with or approved by the Securities Exchange Commission of Thailand or any other regulatory authority in Thailand. The material is provided solely to "institutional investors" as defined under relevant Thai laws and regulations. No distribution of this material to any member of the public in Thailand is permitted. Nothing in this material shall be considered a provision of service, or a solicitation to buy, or an offer to sell, a security, or any other product or service, to any person where such provision, offer, solicitation, purchase or sale would be unlawful under relevant Thai laws and regulations.

202302-2724310
APAC-PAN-3931_AU