



# T. ROWE PRICE GLOBAL HIGH INCOME FUND

## A high-conviction, active approach to a truly global opportunity set

The global high yield bond market offers investors a very large opportunity set, with the potential to seek income, capital growth and portfolio diversification. A truly global approach to the asset class gives access to the full range of high yielding opportunities, harnessing a variety of sources of returns.

### Advantages of global high yield debt

1. Fast-growing and evolving opportunity set
2. Compelling risk return trade-off
3. Powerful diversification potential
4. Inefficiencies and dispersion can reward active investors

### A compelling risk-return trade-off

Historically, high yield bonds have been one of the highest income-generating classes in the fixed income universe. This return has come at a reasonable level of risk. Although the correlation of high yield bonds' performance with equity markets has tended to be high (compared with investment-grade bonds), the range of price movement is much narrower. High yield bond volatility has historically been around half that of global equity markets. High yield bond valuations also tend to be less sensitive to interest-rate risk than investment grade bonds.

### Powerful diversification potential

The global high yield bond market was traditionally dominated by US-based issuers, but that has changed. The universe of European and emerging market (EM) high yield issuers has grown steadily in the last 20 years, particularly since the Global Financial Crisis in 2008/09. Between 2000 and 2019 the market capitalisation of the ICE BofA Merrill Lynch Global High Yield Index grew from about US\$360 billion in mostly US issuance, to roughly US\$3 trillion, of which only half came from US issuers. As the global array of high yield bond issuers has grown, so have the opportunities. High yield investors can now build a selective, well-diversified portfolio, accessing a wide range of bond issuers in countries at different stages of their economic cycles.

High yield bonds are often perceived as a relatively homogeneous asset class, in which all issuers are high risk. In reality, there is a wide range of quality in high yield issuers.

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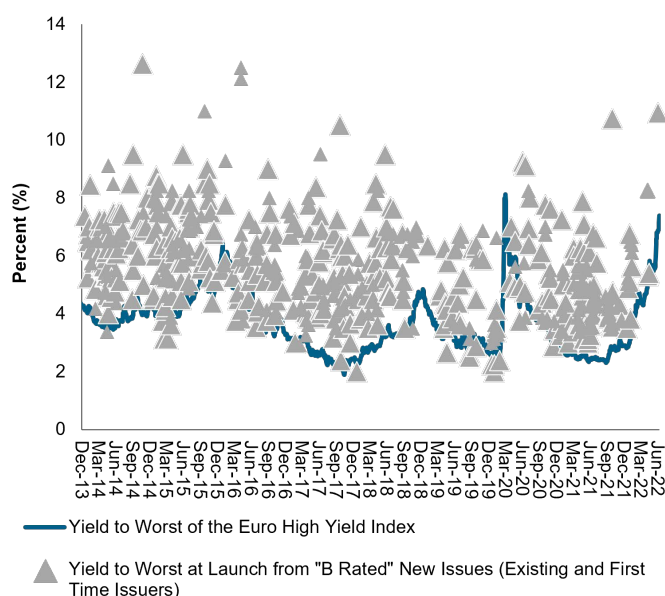
For example, high yield bond issuers in emerging markets typically have lower leverage than their developed market counterparts – usually not reflected in their valuation or rating on account of the perceived riskiness of EM issuers.

### Inefficiencies can create opportunity for active investors

Investment markets don't always work entirely efficiently, and this is often true in the high yield bond world. Persistent anomalies can be a reliable source of added value (alpha) for active investors with expertise in security selection.

The chart shows the yields at which single B-rated new bond issues came to market in European high yield from 2013 to March 2022, compared with the average yield on the single B index. Bonds with the same credit agency risk rating have been issued at yields ranging from around 2% to 13%, reflecting the market's views on their relative riskiness. Wide price dispersion potentially makes it more rewarding for active investors to identify future winners and avoid the losers.

### Highly dispersed market: Euro single B bonds



**Past performance is not a reliable indicator of future performance.**

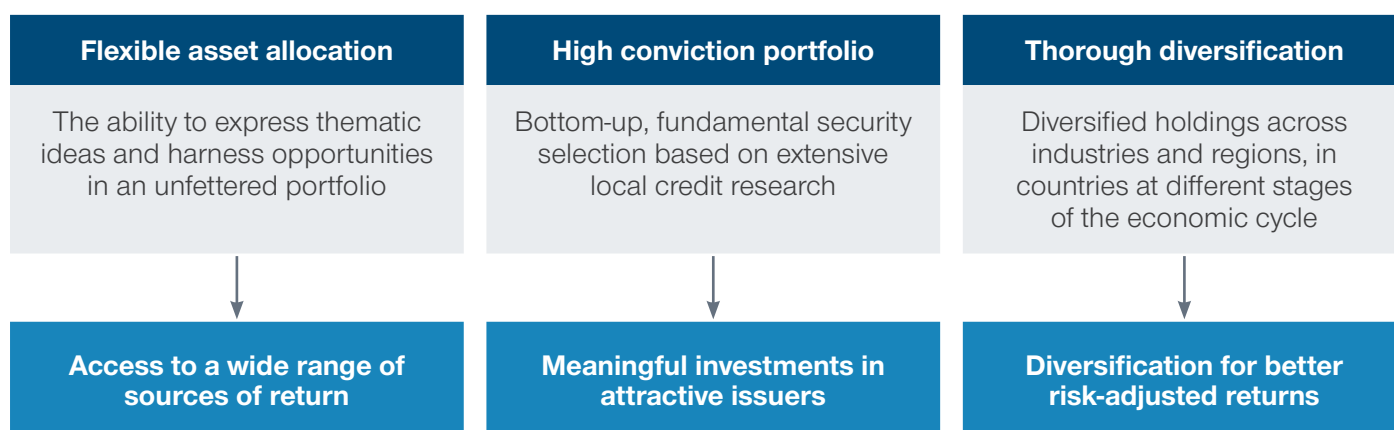
As of 30 June 2022.

Sources: Moody's Investors Services., Bank of America/Merrill Lynch, data Analysis by T. Rowe Price. The European high yield market is represented by ICE BofA European Currency High Yield Constrained Excluding Subordinated Financials Index hedged to EUR.

Please see Additional Disclosures page for information about this Moody's and ICE BofA information.

# T. Rowe Price Global High Income Fund – our investment approach

## What it takes to succeed in global high yield



### Flexible asset allocation

The Fund gives investors access to a truly global opportunity set not often found in other global high yield strategies, with access to around USD \$3 trillion of global high yield bonds. The portfolio's typical regional allocation mix includes approximately 50% of issuers in North America, 25% in developed European markets, and 25% in emerging markets.

The Fund is managed by three portfolio managers, each a specialist in one of these three regions. They build a portfolio with a global perspective, factoring in both local opportunities and global risk factors at the overall portfolio level, leveraging T. Rowe Price's proprietary macro and fundamental research.

### High-conviction security selection

Our active, bottom-up credit selection process leads to meaningful overweight and underweight positions in countries, regions, and industries. Rather than conjoin three regional "silos" into one portfolio of many hundreds of positions, we build a single portfolio of around 150-200 of our best ideas, capitalising on specific opportunities across the portfolio's three regions. Although relatively concentrated, our portfolio is well diversified across issuers, regions, industries and drivers of economic growth. This size of portfolio allows us to put our best ideas into practice with allocations (as well as what we choose not to own) that will contribute meaningfully to our performance.

We invest in high yield bonds issued by companies that are fundamentally improving, or where we can identify a clear (but unrealised) catalyst for improvement, or companies that are reducing their leverage. We scrutinise all potential investments on the basis of qualitative and quantitative company analysis, an industry overview, ESG considerations, valuation and technical factors.

### Management of risk

There are multiple sources of risk to take into account in a global portfolio, so we aim to simplify what we're doing – to deliver consistent, repeatable outcomes/returns. We focus on building intentional sources of risk (and therefore drivers of returns) in the portfolio in clear cut decisions in security selection, plus the industry and geographic exposure that creates. We neutralise currency risk in the portfolio to reduce this potential noise – the primary risks we take are driven by our active security selection.

#### Expected Investment Parameters

Benchmark	ICE BoFA Global High Yield Index (AUD Hedged)
Number of issuers	150 - 200
Maximum issuer weight	3%
Allocation to US, Canada, other	30% - 70%
Allocation to Europe	10% - 50%
Allocation to Emerging Markets	0% - 40%
Currency	Aims to be fully hedged to AUD
Derivatives	Currency forwards (for hedging and efficient portfolio management purposes); 10% limit on credit default swaps

The expected investment parameters are not formal guidelines and represent anticipated ranges of exposure at the time of purchase. Market fluctuations may cause actual exposure to fall outside these ranges. Please refer to the product disclosure statement for details.

*"We believe our fundamental credit research can discover companies around the globe that are positioned to improve their credit profile in various market conditions."*

**Mike Della Vedova** | Co-Portfolio Manager

# Why T. Rowe Price for global high income?

We believe our active, research-intensive approach, our experienced portfolio management and research teams and our collaborative culture are key to delivering long-term success.

## Our research edge in global high yield

### Going beyond the numbers: T. Rowe Price's extensive local and global research

Our active investment decisions are backed by one of the industry's largest and most experienced buy-side global research platforms. Local analysts operate in the world's major economies, working in collaboration with our global network of specialists across all industries and major asset classes to find the best investment ideas.

Our analysts go beyond the numbers, getting out into the field to see first-hand how local economies and companies are performing today and, more importantly, to make informed and responsible judgements about how we think they'll perform in the future.

**Our 200+ global fixed income and equity analysts work in partnership to gain a holistic view of a company's capital structure, with an eye toward the unique market environment inherent to each company, country, or region where we are invested.**



#### Local Research Boots on the ground

Research analysts in nine offices provide coverage of local economies and companies.



#### Global Analysis Multi-disciplinary collaboration

Evaluating local opportunities in a global context, with additional depth from the collaboration of our debt and equity analysts.



#### Our Research Culture Going beyond the numbers

We seek to identify emerging trends and catalysts for change, validated through one-to-one meetings and on-site visits.

## Breadth of experience

The T. Rowe Price Global High Income Bond Strategy has been managed by Mike Della Vedova, Michael Connelly and Samy Muaddi since 2015, and the T. Rowe Price Global High Income Fund Australian Unit Trust, launched in May 2020. They are supported by a team of more than 50 global high yield analysts, emerging market credit and sovereign analysts, portfolio and quantitative analysts, and traders.



**Mike Della Vedova**  
Co-Portfolio Manager  
Europe specialist

Years in the industry: **28**  
Years at the firm: **12**



**Samy Muaddi, CFA®**  
Co-Portfolio Manager  
Emerging Markets  
specialist

Years in the industry: **16**  
Years at the firm: **16**



**Michael F. Connelly, CFA®**  
Co-Portfolio Manager  
US specialist

Years in the industry: **21**  
Years at the firm: **16**

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As of 30 June 2022.

## T. Rowe Price at a glance\*

- Founded in 1937
- AUD\$1,904.7bn in assets under management
- 392 research analysts collaborating across asset classes and industries
- 194 equity analysts, 95 fixed income analysts, 28 multi-asset analysts
- Offices in 17 markets, research analysts in 9 different locations
- Clients in 52 countries
- PRI\*\* signatory since 2010. ESG factors integrated into the investment process

## T. Rowe Price Global High Income Fund – I class

<b>Launch Date</b>	4 May 2020
<b>Base Currency</b>	AUD
<b>APIR Code</b>	ETL0793AU
<b>Management Fees and Costs^</b>	0.72% per annum
<b>Distribution Frequency</b>	Monthly

\* All figures as at 30 June 2022. Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates. Assets under management are calculated in U.S. dollars and converted to Australian dollars using an exchange rate determined by an independent third party.

\*\* Principles for Responsible Investment.

^ The Management Fee for the T. Rowe Price Global High Income Fund – I class is 0.62% p.a. and the Indirect Cost is 0.10% p.a. The indirect costs component is based on a reasonable estimate of the costs for the current financial year to date, adjusted to reflect a 12 month period. Full details of other fees and charges are available within the Fund's Product Disclosure Statement and Reference Guide.

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A Target Market Determination for each T. Rowe Price Australian Unit Trust (or class of units in a Trust) is available here ([www.eqt.com.au/insto](http://www.eqt.com.au/insto)). It describes who the financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where Equity Trustees Limited, the responsible entity of the T. Rowe Price Australian Unit Trusts may need to review the Target Market Determination for the financial product.

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