T.RowePrice

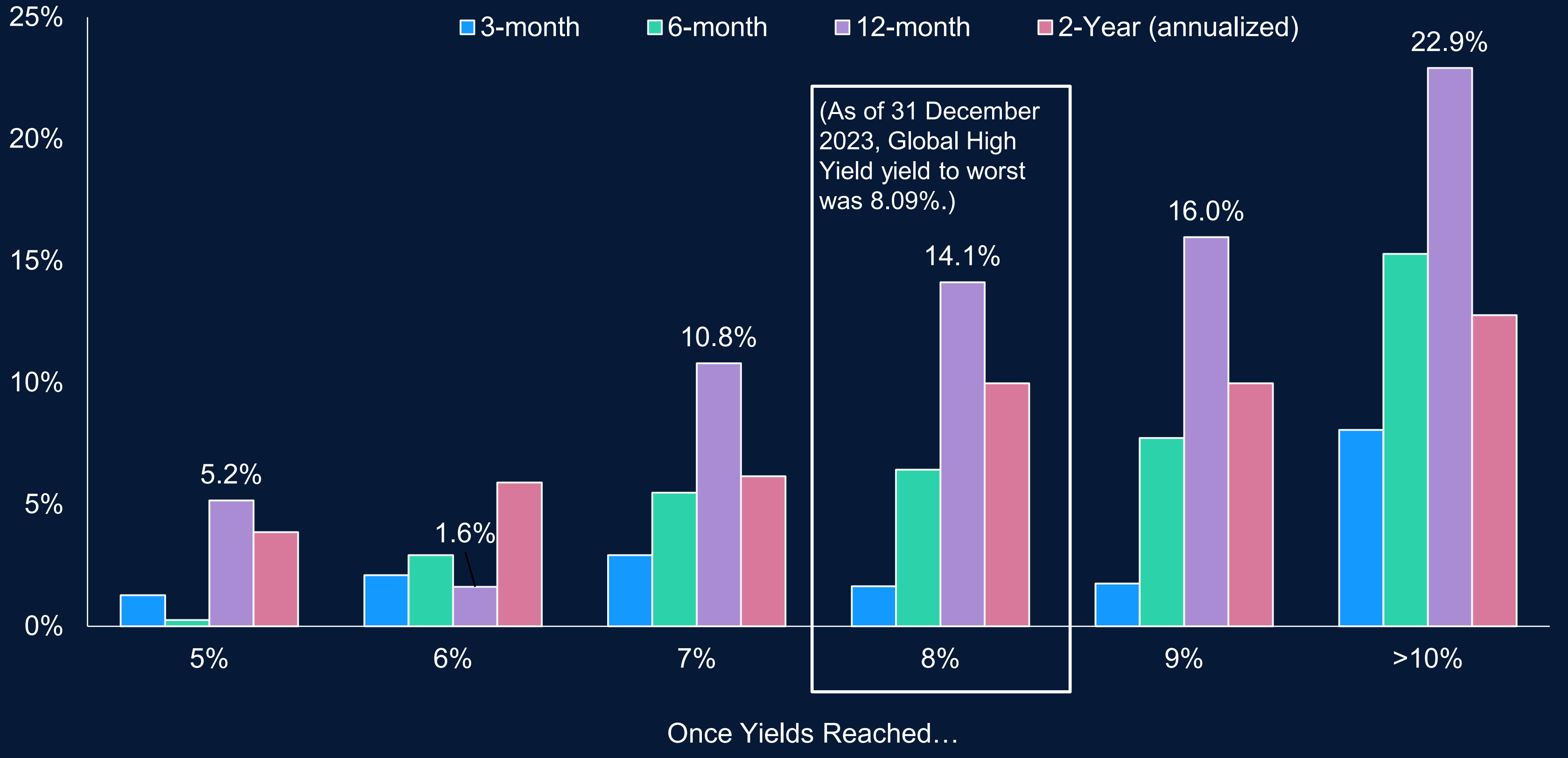
High Yield
Client Chart Pack

Higher yields are usually a precursor of higher returns

1 January 2012 to 31 December 2023

Historical Global High Yield Returns Once Yields Reached Various Thresholds

Median Forward Return



An attractive entry point

While we cannot predict future returns from current yields, we can use history as a baseline for when the high yield market had similar yield levels and what forward returns looked like. Since the global financial crisis (GFC), the high yield market has crossed the 9% yield threshold five times. In each instance, the one year forward return picture has been in the mid-double digits range. Since 2012, the median 12-month forward returns have been in double digits when yields in the market have exceeded 8%.

Past performance is not a reliable indicator of future performance.

Returns since 1 January 2012. Performance periods shown once index yields moved through the yield threshold and had not been at that level for the preceding 30 business days.

Global High Yield Market represented by the JP Morgan Global High Yield Index.

Source: JP Morgan Chase. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval.

Today's yields have rarely been observed over the last 10 years

From 31 December 2013 to 31 December 2023

Yield to Worst of the Global High Yield Market

Yields indicate attractive valuation

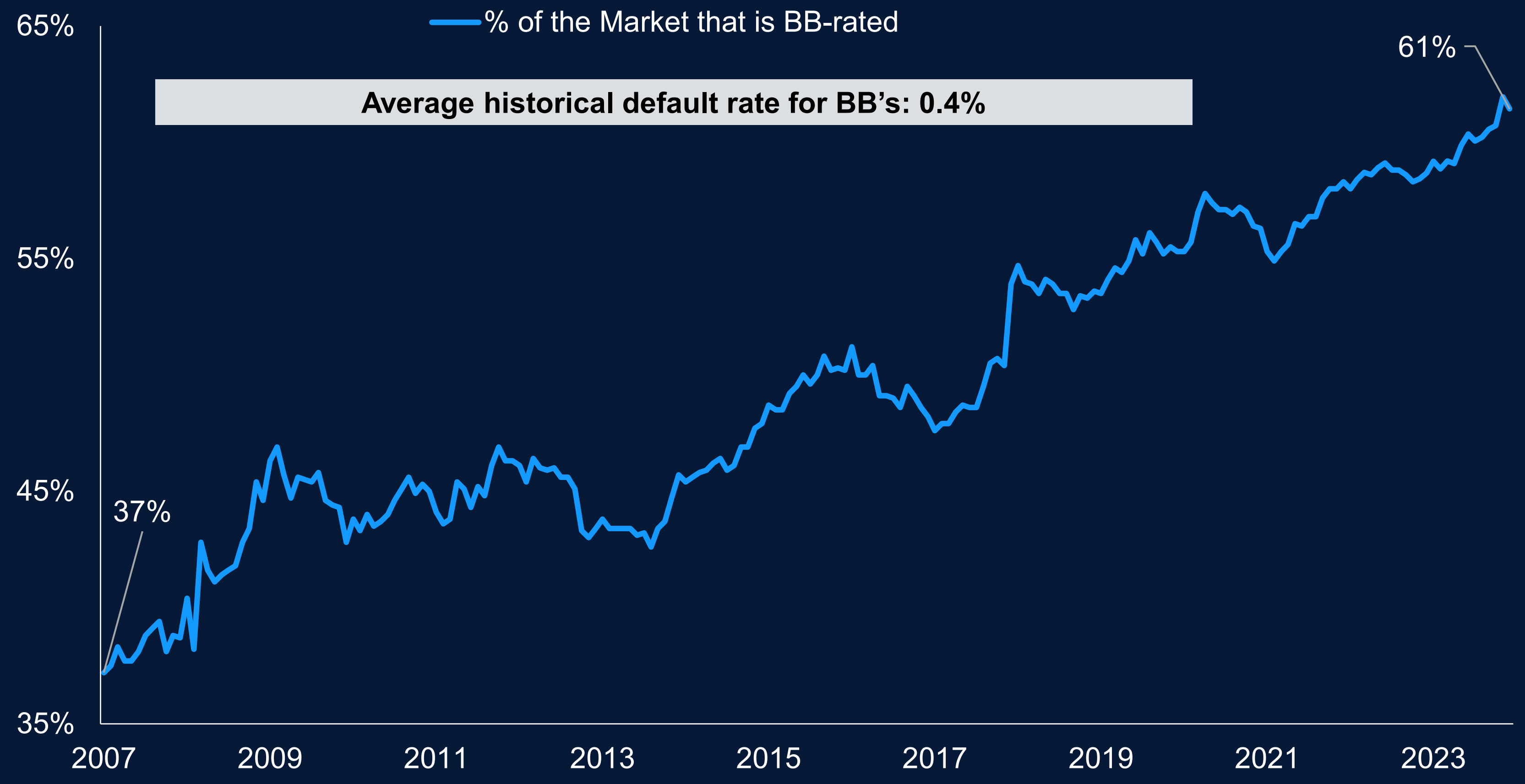
Rate and credit spread[1] volatility since the first quarter of 2022 have resulted in attractive yields and dollar discounts not seen since the GFC attributed to unprecedented quantitative tightening and related recession fears. As of 31 December 2023, the yield to worst[2] on the ICE BofA Global High Yield Index was almost 8%. This is well above the average level of 6.34% observed over the last ten years. Considering the credit quality of the market is much higher today, the absolute yield on the asset class screens attractive, especially compared to similar dislocation levels during the Energy Crisis (2015-2016) and the Pandemic selloff where both the quality and fundamentals of the market were lower than levels observed today.

[1] Credit spread measures the additional yield that investors demand for holding a bond with credit risk over a similar-maturity, high-quality government security.
[2] Yield to worst is a measure of the lowest possible yield on a bond whose contract includes provisions that would allow the issuer to redeem the securities before they mature.
Past performance is not a reliable indicator of future performance.
Source: Bank of America.
Global High Yield Market represented by the ICE BofA Global High Yield Index.

Fundamentals are strong

As of 31 December 2023

High Yield Market Ratings Quality "Migrates Up"



Evolution to a higher credit quality market

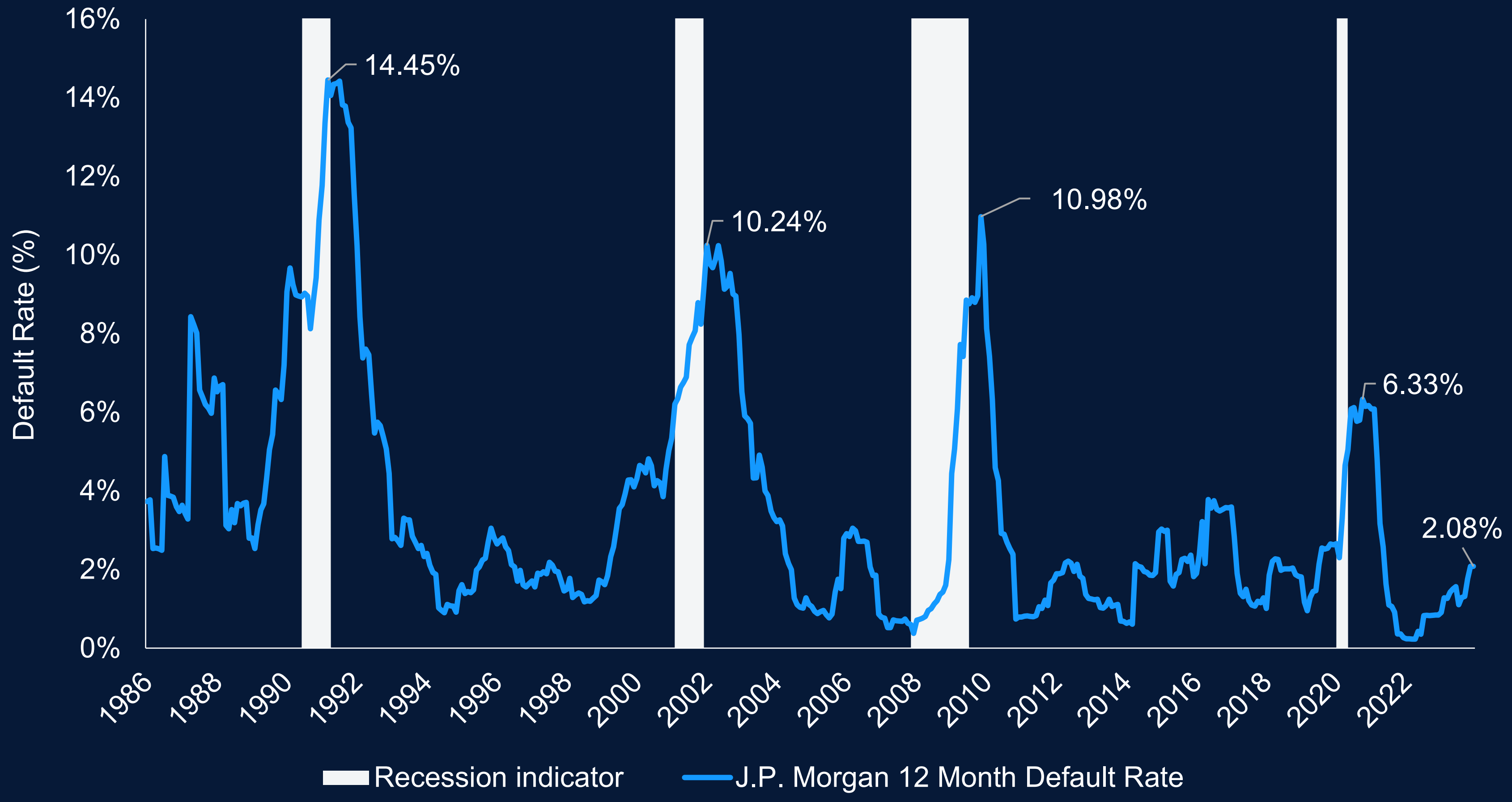
The current high yield market is drastically improved compared to the GFC in terms of credit quality. Using the Credit Suisse High Yield Index as a proxy, the high yield market has migrated up considerably in credit quality since the Global Financial Crisis (GFC). In 2007, only 37% of the index had at least one BB rating, today that figure is roughly 60%.

Partially the result of record Fallen Angel volume (US$240 billion) entering high yield in 2020, the average company in the high yield market has a larger market cap and generates more free cash flow today than prior to the GFC. Therefore, we feel the asset class is in a position of strength should the economic outlook weaken.

Source: High Yield Market represented by the Credit Suisse High Yield Index.
The credit ratings are based on S&P and Moody's ratings. A rating of "BB" represents the highest-rated high yield rating.

Default rates peak soon after recessions

From 31 January 1986 through 31 December 2023



Low default rate profile

Although the macro backdrop remains challenging for risk assets, high yield fundamentals continue to be resilient. Since the Global Financial Crisis (GFC), high yield market new issuance has been dominated by refinancings as issuers capitalised on historically low interest rates. Additionally, record capital markets activity in 2020 and 2021 (post-COVID drawdown) at cheap financing rates strengthened balance sheet liquidity and increased interest coverage[1] metrics to peak levels. The high yield default rate marginally increased to 2.08% in December 2023 from 1.6% in June 2023 but remains well below its long-term average of 3%.

[1]Interest coverage measures an issuer's ability to meet its interest payment obligations.
Source: J.P. Morgan Chase & Co. US Default Rate, Based on Par Amount.

Avoiding defaults is key to high yield investing

Illustration of Management Capabilities

As of 31 December 2023

T. Rowe Price Global High Income Bond Representative Portfolio vs High Yield Market Default History

Year	Global High Income Bond Default Rate (%)	US High Yield Bond Market[1] (%)	European High Yield Bond Market[1] (%)	EM High Yield Bond Market[1] (%)
2015	**0.00**	3.16	1.06	2.71
2016	**0.00**	6.12	2.82	4.10
2017	**0.40**	1.27	2.00	2.97
2018	**0.66**	1.96	0.81	0.72
2019	**0.00**	3.38	1.86	0.45
2020	**0.00**	7.00	2.37	4.87
2021	**0.61**	0.44	0.52	8.17
2022	**0.00**	1.47	0.78	11.47
2023	**0.00**	2.40	1.52	6.21
Average (for periods shown)	**0.19**	2.98	1.51	4.63

Our clients have benefited from a consistently low default experience

[1] Source: BAML US High Yield Par-weighted default rate; BAML European High Yield Par-weighted default rate; BAML EM HY par-weighted default rate.
The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of other accounts in the strategy. Information regarding the representative portfolio and the other accounts in the strategy is available upon request.

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