



T. Rowe Price

T. ROWE PRICE

Global Government Bond High Quality Strategy

As of 30 September 2024

Portfolio Management Team:	Managed Strategy Since:	Joined Firm:
Arif Husain	2019	2013

INVESTMENT OBJECTIVE

The Global Government Bond High Quality (USD Hedged) Composite seeks capital appreciation and interest income by investing primarily in bonds issued by high quality governments, government-related entities and government agencies located around the world and in global currencies. The strategy seeks to achieve attractive risk-adjusted returns across global bond markets, supported by an extensive macroeconomic research process.

PERFORMANCE

		Annualised						
		One Month	Three Months	Year-to-Date	One Year	Three Years	Five Years	Since Inception
Global Government Bond High Quality (USD Hedged) Composite (Gross of Fees)		-0.90%	0.76%	3.61%	1.29%	0.08%	1.51%	1.51%
FTSE World Government Bond Index Hedged USD		1.09	4.10	3.51	9.52	-1.33	-0.39	-0.39
Value Added (Gross of Fees) ¹		-1.99	-3.34	0.10	-8.23	1.41	1.90	1.90

Past performance is not a reliable indicator of future performance.

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Gross performance returns reflect the reinvestment of dividends and are net of all non-reclaimable withholding taxes on dividends, interest income, and capital gains. Returns shown would be lower when reduced by the advisory fees and any other expenses incurred in the management of an investment advisory account.

¹ The Value Added row is shown as Global Government Bond High Quality (USD Hedged) Composite (Gross of Fees) minus the benchmark in the previous row.

MARKET COMMENTARY

- We marginally increased the portfolio's underweight duration stance in September.
- In particular, we increased our underweight to the U.S., mostly by increasing an underweight at the belly of the curve. Our underweight at the longer end of the curve was largely maintained considering the potential for fiscal issuance, given the upcoming election.
- In other moves, we also increased an underweight to the UK. This was mostly driven by us opening an underweight at the short end considering sticky wages that likely limits the ability of the Bank of England to cut rates compared with the U.S. and eurozone. Albeit reduced, we maintained a more prominent underweight at the long end of the curve considering elevated fiscal risks posed by the new Labour government.
- This also resulted in us reducing our underweight to the eurozone and marginally increasing an overweight to Australia. Our underweight in the eurozone continued to be driven by the longer-dated portion of the curve given our concerns over fiscal spending and debt sustainability in the region.
- Among other high-quality countries, we held overweight biases to Australia, Japan, New Zealand, Sweden, and Canada. Softening growth in these countries informed our positioning. The steepness of the New Zealand and Australia sovereign curves continues to make duration appealing to hold, while Japan also offers compelling U.S. dollar-hedged yields.
- In currencies, we broadly maintained an overweight in the U.S. dollar as we continued to see potential for markets to pare back their expectations for U.S. rate reductions. Early in the month, we broadly closed our underweight to the British pound given the combination of loose fiscal policy and the relatively limited ability of the Bank of England to cut rates. We simultaneously opened an underweight in the Swiss franc. Late in the month, however, we reduced our underweight positions in the Australian dollar and New Zealand dollar, while rotating back to an underweight in the pound, given the risk of the two currencies appreciating on the new stimulus package announced in China. We also reduced our overweight to the Japanese yen prior to the country's election of a new prime minister.

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INVEST WITH CONFIDENCE®

PERFORMANCE

- The portfolio underperformed the benchmark in September.
- Global government bond yields broadly fell in September, largely led by shorter-dated U.S. Treasuries as anticipation of an interest rate cut by the Federal Reserve continued to build ahead of its mid-month policy meeting. Ultimately, the Fed delivered a 50-basis-point cut, on the higher end of expectations, although Chair Jerome Powell suggested that rate cuts may not follow at the same pace. This resulted in the curve inversion at the 2- to 10-year portion reversing.
- Within duration management, our underweight biases to the U.S. and eurozone detracted the most given the broad decline in yields. Our curve flattening position in New Zealand also detracted as long-end yields rose. Our curve steepening biases in the eurozone and the U.S. helped, however, as the more prominent fall in shorter-dated bond yields resulted in curve steepening. Our overweight exposure to Canada also contributed, with dovish comments from Bank of Canada officials also adding downward pressure on yields.
- In foreign exchange markets, underweight positions in the Australian dollar, euro, Swedish krona, and New Zealand dollar detracted the most. The currencies gained in a weaker U.S. dollar environment as markets anticipated a rate cut by the Federal Reserve during the month, and the Fed followed through with a 50-basis-point reduction. The Australian dollar also benefited from the Reserve Bank of Australia's decision to hold rates steady and officials pushing back on near-term easing as well as news of the stimulus package in China. An underweight stance to the British pound held early in the month helped, however.

OUTLOOK

- Markets are continuing to price aggressive easing from the Fed, with it having commenced its cycle with a 50-basis-point interest rate cut. However, we anticipate that the pace of cuts going forward will remain highly data dependent. If data surprise to the upside and Federal Reserve officials push back on market pricing, as seen in the Fed chair's recent speech, there is a risk that curves could flatten near term. The recent storm in the U.S. and upcoming port closures could drive some weakness in data, however. That said, the bigger driver for markets, in our view, is fiscal policy, particularly in a U.S. election year, which will also drive volatility. Additional fiscal spending will likely occur under either presidential candidate, which could be inflationary and drive longer-dated yields higher. We also see potential for highly inflationary fiscal policies in the UK given the new government in place. The new stimulus package in China is also a key factor to consider alongside elevated geopolitical tensions in the Middle East.
- The U.S. dollar could continue to be supported in the near term as markets potentially lower their expectations for an extensive rate-cutting cycle. In our view, the currency remains a more suitable way to defensively play the market given valuations in rates, particularly if geopolitical risks surge.
- Overall, given the multiple factors facing markets, we believe it's important to be tactical and keep a liquid profile in the portfolio. This should help give us flexibility to adapt to changes.

REP. PORTFOLIO TOP 10 COUNTRY EXPOSURES

Country	% of Rep. Portfolio	FTSE World Government Bond Index Hedged USD
United States	29.59	41.39
Germany	17.16	5.45
Japan	11.01	10.56
Sweden	8.23	0.14
New Zealand	7.49	0.25
Singapore	7.08	0.37
Italy	5.34	6.25
Australia	2.86	1.21
Israel	1.53	0.28
Netherlands	0.91	1.22

PORTFOLIO CHARACTERISTICS

	Rep. Portfolio	FTSE World Government Bond Index Hedged USD
Weighted Average Coupon	1.45%	2.45%
Weighted Average Maturity	11.48 Years	9.49 Years
Weighted Average Effective Duration	1.03 Years	7.16 Years
Yield to Maturity	2.96%	3.02%
Average Credit Quality	AAA	AA
Number of Holdings	28	1,288

CREDIT QUALITY DIVERSIFICATION

	US Treasury	AAA	AA	A	BBB	Not Rated
Rep. Portfolio	29.2%	42.7%	2.1%	12.6%	5.6%	2.1%
FTSE World Government Bond Index Hedged USD	41.4	11.1	15.2	23.1	9.2	0.0
Over/Underweight	-12.1	31.5	-13.1	-10.6	-3.5	2.1

REP. PORTFOLIO ESG RIIM OVERVIEW

As of 30 September 2024

% WEIGHT IN Global Government Bond High Quality (USD Hedged) Representative Portfolio—RIIM OVERVIEW

	Number of Names					
	Net Weight (%)			Number of Holdings		
	Long	Short	Total	Long	Short	Total
■ ESG No/Few Flags	92.5	0	92.5	32	0	32
■ ESG Medium Flags	0	0	0	0	0	0
■ ESG High Flags	0	0	0	0	0	0
■ ESG Not Covered	0	0	0	0	0	0
■ ESG Not In Scope ¹	/	/	1.8	/	/	71
■ Cash/Other	/	/	5.7	/	/	1



Environmental



Social



Governance

- All holdings ranked with no/few ESG flags
- ESG Not In Scope includes all derivatives

¹ Derivatives and other noncorporate holdings.

The Responsible Investing Indicator Model (RIIM) rates companies in a traffic light system measuring their environmental, social, and governance profile and flagging companies with elevated risks (Green=Best, Red=Worst).

Analysis is produced by T. Rowe Price using data provided by Sustainalytics.

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.

ADDITIONAL DISCLOSURES

Weighted Average Maturity is an average of the maturities of the underlying bonds, with each bond's maturity weighted by the percentage of Composite assets it represents. Weighted Average Effective Duration is a calculation that seeks to measure the price sensitivity of the Composite to changes in interest rates. In general, the longer the average maturity or duration, the greater the Composite's sensitivity to interest rates. Duration is a better indicator of price sensitivity because it takes into account the time value of cash flows.

Source for FTSE Index data: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group").

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Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

Unless indicated otherwise the source of all data is T. Rowe Price.

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. Please see the GIPS® Composite Report for additional information on the composite.

GIPS® COMPOSITE REPORT**Global Government Bond High Quality (USD Hedged) Composite**

Period Ended December 31, 2023

Figures Shown in U.S. dollar

	<u>2019²</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Gross Annual Returns (%)	-1.28	8.98	-0.28	-1.33	-1.75
Net Annual Returns (%) ¹	-1.53	7.88	-1.29	-2.34	-2.75
FTSE World Government Bond Index Hedged USD (%)	-1.44	6.11	-2.29	-12.86	6.42
Composite 3-Yr St. Dev.	N/A	N/A	N/A	3.10	3.87
FTSE World Government Bond Index Hedged USD 3-Yr St. Dev.	N/A	N/A	N/A	4.87	5.76
Composite Dispersion	N/A	N/A	N/A	N/A	N/A
Comp. Assets (Millions)	5.4	8.2	13.4	14.2	74.4
# of Accts. in Comp.	1	1	1	1	1
Total Firm Assets (Billions)	1,218.2	1,482.5	1,653.6	1,237.4	1,403.8 ³

¹The fee rate used to calculate net returns is 1.02%. This represents the maximum fee rate applicable to all composite members. **Past performance is not a reliable indicator of future performance.**

²September 30, 2019 through December 31, 2019.

³Preliminary - subject to adjustment.

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Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the maximum fee rate applicable to all composite members as shown above. Gross performance returns reflect the reinvestment of dividends and are net of nonreclaimable withholding taxes on dividends, interest income, and capital gains. Gross performance returns are used to calculate presented risk measures. Effective June 30, 2013, portolio valuton and assets under management are calculated based on the closing price of the security in its respective market. Previously portolios holding internatonal securities may have been adjusted for after-market events. Policies for valuing portolios, calculating performance, and preparing compliant presentatons are available upon request. Dispersion is measured by the standard deviaton across asset-weighted portolio returns represented within a composite for the full year. Dispersion is not calculated for the composites in which there are five or fewer portolios.

Some portolios may trade futures, options, and other potentially high-risk derivatives that may create leverage and generally represent in aggregate less than 10% of a portolio. Benchmarks are taken from published sources and may have different calculaton methodologies, pricing times, and foreign exchange sources from the composite.

Composite policy requires the temporary removal of any portolio incurring a client initiated significant cash inflow or outflow greater than or equal to 15% of portolio assets. The temporary removal of such an account occurs at the beginning of the measurement period in which the significant cash flow occurs and the account re-enters the composite on the last day of the current month after the cash flow. Additonal informaton regarding the treatment of significant cash flows is available upon request.

The firm's list of composite descriptons, a list of limited distributon pooled fund descriptons, and a list of broad distributon pooled funds are available upon request. GIPS[®] is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organizaton, nor does it warrant the accuracy or quality of the content contained herein.

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Fee Schedule

First 50 million USD 17.5 basis points

Next 50 million USD 15 basis points

Above 100 million USD 15 basis points on all assets¹

Above 250 million USD 11 basis points on all assets¹

Minimum separate account size 50 million USD.

¹ A transitional credit is applied to the fee schedule as assets approach or fall below the breakpoints. Extended breakpoints may be available for higher asset levels.

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