T. Rowe Price®

ASIA CREDIT BOND STRATEGY

Investment Objective

To maximise total return through income generation and capital appreciation, consistent with prudent investment management. The fund is actively managed and invests mainly in a diversified portfolio of transferable U.S. dollar denominated fixed income securities of issuers domiciled, or exercising the predominant part of their economic activity, in Asian countries including emerging markets, excluding Japan.

Seeking the best opportunities in a high-growth region

Asian credit markets are often overlooked by global asset allocators, but they are a rapidly growing and increasingly important segment of the global fixed income universe. T. Rowe Price's Asia Credit Bond Strategy seeks to uncover the best credit opportunities in this region of high economic growth and positive demographic trends.

A booming market

The Asian US dollar-denominated bond market has grown dramatically over the last decade. This reflects a secular shift in the way Asian borrowers finance themselves. Since the 2008 crisis, many borrowers have replaced short-term bank loan facilities with longer-term, market-based financing.

The capitalisation of J.P. Morgan's Asia Credit Index (JACI) Diversified has grown roughly eightfold since the Global Financial Crisis, from US$141 billion in 2008 roughly US$1.3 trillion by the end of September 2021 – broadly comparable with the US high-yield bond market.

Today, Asian credit markets are much less dependent on foreign investors than in the past. A reliance on hot money inflows was widely seen as a factor in the region's 1997 currency crisis. Now local investors buy roughly three-quarters of the region's dollar bond issuance, compared with about 50% a decade ago.

Robust economic growth in Asia ex-Japan has created a powerful tailwind for the region's bond issuers, helping them to develop new markets at home and abroad. In the span of just a decade, China has eclipsed Japan as the world's second-largest economy and is now more than double its size. The entire region accounts for about 27% of the global economy, up from 10% in 2000. Asia ex-Japan now accounts for two out of every five people in the world, with particularly favourable (i.e. younger) demographics in countries like India, Indonesia, Bangladesh and the Philippines.[1]

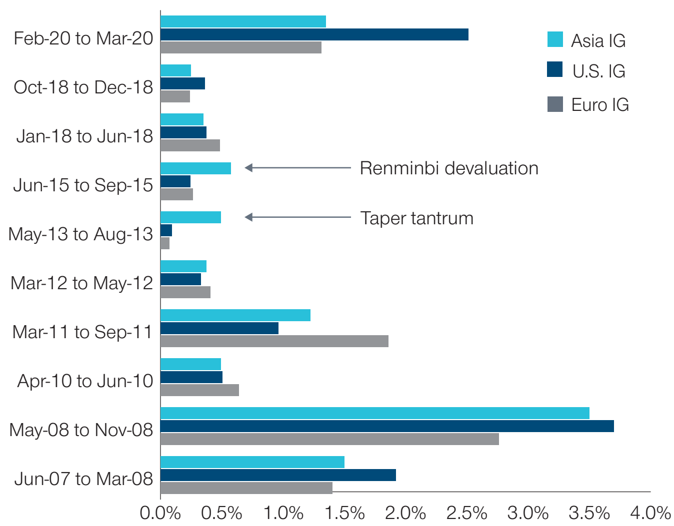
Diversification and resilience

Asia credit spans a diverse set of countries and issuer types, with an emphasis on strong credit quality. By December 2020, more than 75% of the index consisted of investment-grade (IG) issues. This helps explain why Asia credit has been relatively resilient to market setbacks (**see chart**). The high-yield segment of the market also has a higher-quality bias. As a result, Asia has historically averaged lower default rates than other EM regions.

Asia credit has an imperfect positive correlation with Asia ex-Japan equities, with a more stable return profile, so it can act as a lower-volatility diversifier. Asia credit also has relatively lower duration (interest-rate risk) than US and European IG, offering higher yield on shorter-dated issues.

Spread changes during sell-offs: investment grade corporates

31 December 2002 to 30 September 2021



Sources: Asia IG – J.P. Morgan Asia Credit Index Diversified, z spread; US IG – Bloomberg Barclays US Aggregate Corporate Investment Grade Index, OAS; Euro IG – Bloomberg Barclays Euro-Aggregate Index, OAS.
Source: J.P. Morgan Chase & Co. and Bloomberg Index Services Ltd.

[1] World Bank and IMF data, data analysis by T. Rowe Price.

Asia Credit Bond Strategy - investment approach

We seek to identify evolving, long-term investment opportunities across the growing Asian credit asset class and to take advantage of pricing anomalies and dislocations in the market. We expect to add the most value through individual credit selection, which is guided by our analysts' fundamental credit research. To the extent that top-down themes are pursued, they typically seek to identify sectors that benefit from long-term structural tailwinds.

We believe our bottom-up research process—integrating our proprietary corporate, equity, sovereign, and ESG analysis—allows for early identification of high-quality businesses, as well as those with long-term potential for external market rerating. We focus on building a long-term portfolio of 80 to 120 undervalued companies with strong corporate governance and business fundamentals.

Overall, our investment approach emphasizes in-depth, fundamental research, diversification, and strict risk management. Our goal is to generate consistent long-term returns with reduced volatility. We would expect our approach to add the most value at times when market returns are driven by company-specific fundamentals. In heavily 'risk on' markets where buying is indiscriminate (i.e. a 'rising tide lifts all boats' scenario), we would expect our upside capture to be less than that of higher-beta managers.

Strategy Profile	
Typical number of issuers	80-120
Expected Value Added	
Security selection	80%
Sector allocation	20%
Investment Parameters	
Country	Country ±20% relative to index weight
Industry	±20% relative to index weight
Rating category	±20% relative to index weight
Corporate issuer	Max 3%
Non-USD allocation	Max 10%
Duration	±1 year relative to benchmark

Five-step investment process

1

Investment Screening

We narrow the investment universe to around 700 issues rated from B to BBB, based on liquidity (issues over US$250 million), market inefficiency, and strong corporate governance records.

2

Fundamental Analysis

We meet managements and collaborate with our equity team during our evaluation of an issuer's business and its financial strength.

3

Relative Value Analysis

We evaluate the risk-adjusted absolute return potential of a bond against its peers and based on company fundamentals.

4

Position Sizing

To ensure that no position adds disproportionate risk to the portfolio, position sizes range from 50 to 300 basis points, based on relative value, the domestic backdrop, issuer history and tail risk.

5

Risk Management

We employ ongoing risk management at four levels. Credit analysts focus on fundamental credit risk and corporate governance. Portfolio managers and quantitative analysts measure sources of systematic risk and assess liquidity. Our in-house ESG team assigns every issuer an ESG risk score. Enterprise risk management reviews portfolio positioning, risk levels, and issues such as counterparty risk.

"Economic growth in Asia will remain a key driver of global growth."

Sheldon Chan | Portfolio Manager

Why T. Rowe Price for Asia credit?

Responsible investing

Environmental, social, and ethical considerations are integrated into our process at the qualitative and quantitative levels, both to manage risks and identify opportunities. Fixed income research analysts regularly collaborate with their counterparts on the Responsible Investing team to test and develop investment ideas.

Our proprietary Responsible Investing Indicator Model (RIIM) complements traditional investment analysis by leveraging data sets, such as ESG performance data, ESG targets and ESG incident/controversy data, that are outside the wheelhouse of standard financial analysis. RIIM helps to quantify the environmental, social and ethical profiles of potential investments so that the analyst or PM can better balance an ESG factor within their traditional analysis.

We apply a proprietary exclusion list that aligns with our clients' most common ESG concerns, including controversial and assault-style weapons, coal, tobacco, gambling and adult entertainment, and conduct-based criteria.

Focus on market inefficiencies

As a nascent asset class, we believe Asia corporate debt carries structural characteristics that can be exploited with an active management approach. A long-term fundamental investment focus combined with collaboration across our global research platform can help identify informational, liquidity, and other market-related inefficiencies within the most attractively priced segments of the opportunity set.

Past performance is not a reliable indicator of future performance.

A Pioneer in emerging markets

T. Rowe Price has been managing fixed income since 1971 — a 50-year track record of delivering returns and managing downside risk in a range of market environments.

With more than 25 years of experience in emerging markets (EM) debt, T. Rowe Price has invested in EM companies since the infancy of the asset class.

With a presence in Asia that dates back to 1982, we have the people, processes, and platforms in place to understand the fundamental factors that drive performance in this fast-growing region. We maintain six offices across the region, and there is a genuine commitment to strengthening further our locally based research capabilities and investment offerings.

Culture of collaboration

Our investment approach emphasizes the integration of fundamental research and communication across corporate, sovereign, and equity markets. Sharing of analysis and joint on-site research trips allow for a more comprehensive investment view in less transparent markets and improve access to corporate management teams.

A disciplined approach to risk

Diversifying and mitigating risk is integral to the active management of our strategy. A significant part of our effort is dedicated to understanding the underlying financial and nonfinancial risk factors of each active investment position as well as the overall level of risk borne by our portfolios.

Risks

The following risks are materially relevant to the fund (refer to prospectus for further details): China Interbank Bond Market risk - market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. **Contingent convertible bond risk** - contingent convertible bonds have similar characteristics to convertible bonds with the main exception that their conversion is subject to predetermined conditions referred to as trigger events usually set to capital ratio and which vary from one issue to the other. **Country risk (China)** - all investments in China are subject to risks similar to those for other emerging markets investments. In addition, investments that are purchased or held in connection with a QFII licence or the Stock Connect program may be subject to additional risks. **Credit risk** - a bond or money market security could lose value if the issuer's financial health deteriorates. **Currency risk** - changes in currency exchange rates could reduce investment gains or increase investment losses. **Default risk** - the issuers of certain bonds could become unable to make payments on their bonds. **Emerging markets risk** - emerging markets are less established than developed markets and therefore involve higher risks. **Frontier markets risk** - small market nations that are at an earlier stage of economic and political development relative to more mature emerging markets typically have limited investability and liquidity. **High yield bond risk** - a bond or debt security rated below BBB- by Standard & Poor's or an equivalent rating, also termed 'below investment grade', is generally subject to higher yields but to greater risks too. **Interest rate risk** - when interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality. **Issuer concentration risk** - to the extent that a fund 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. **Liquidity risk** - any security could become hard to value or to sell at a desired time and price. **Sector concentration risk** - the performance of a fund that invests a large portion of its assets in a particular economic sector (or, for bond funds, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

General fund risk: 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 fund and the currency in which you subscribed, if different. **Counterparty risk** - an entity with which the fund transacts may not meet its obligations to the fund. **ESG and Sustainability risk** - may result in a material negative impact on the value of an investment and performance of the fund. **Geographic concentration risk** - to the extent that a fund 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 fund's attempts to reduce or eliminate certain risks through hedging may not work as intended. **Investment fund risk** - investing in funds 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 fund to be in conflict with their obligations to other investment funds they manage (although in such cases, all funds will be dealt with equitably). **Operational risk** - operational failures could lead to disruptions of fund operations or financial losses. **Market risk -** may subject the fund to experience losses caused by unexpected changes in a wide variety of factors.

T. Rowe Price at a glance[1]

- Founded in 1937
- US$1.3 trillion in assets under management[2]
- 924 investment professionals worldwide
- 392 research analysts collaborating across asset classes and industries
- Offices in 17 markets, research analysts in 9 different locations
- Clients in 52 countries

T. Rowe Price Asia Credit Bond Strategy

Portfolio manager	Sheldon Chan
Strategy inception date	April 2018
Strategy AUM	US$51.6 million

T. Rowe Price Funds SICAV – Responsible Asia Credit Bond Fund (actively managed)[4]

Fund size	US$51.6 million
Launch date	April 2018
Base currency	USD
Comparator Benchmark* **	J.P. Morgan Asia Credit Index Diversified
ISIN (Class I)[2]	LU1697875810
Ongoing charges (Class I)	0.60% per annum[3]

[1] All figures as at 30 June 2022. Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.
[2] Full details of all available share classes can be found on our website.
[3] Includes investment management fee
[4] Effective 2 November 2021 the T. Rowe Price Funds SICAV -Asia Credit Bond Fund became the T. Rowe Price Funds SICAV - Responsible Asia Credit Bond Fund.
*** The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

Additional disclosures

Important information

The Funds are sub-funds of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies and risks are located in the prospectus which is available with the key investor information documents in English and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the articles of incorporation and the annual and semi-annual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors. They can also be found along with a summary of investor rights in English at www.troweprice.com. The Management Company reserves the right to terminate marketing arrangements

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