T.RowePrice®

DYNAMIC CREDIT STRATEGY

Harnessing the expertise of T. Rowe Price's global research platform

A high-conviction, actively managed, flexible portfolio that seeks to identify and exploit pricing dislocations across a range of global credit markets.

Advantages of the strategy

1. Flexible and broad mandate harnessing expertise across our global multi-sector credit research platform
2. Efficient portfolio construction with idiosyncratic and price dislocated ideas
3. Active long bias coupled with short positions and portfolio hedging to enhance credit alpha potential
4. Lower fees relative to other liquid credit alternatives.

Bond investors' dilemma

Fixed income investors face a number of hard-to-reconcile challenges. They need yield, so credit is the obvious place to look, but non-government bond markets carry their own set of risks, so credit "beta" needs to be managed. Investors want diversifying alpha sources, but they are also cost sensitive, and may find credit alternative products expensive. Finally, the potential for volatile interest rates makes careful duration management crucial.

What does the Dynamic Credit strategy offer?

Dynamic Credit invests in instruments traded in the public credit markets. It has no benchmark constraints. It provides high conviction, flexible portfolio construction that seeks to harnesses pricing dislocations across various global credit markets. The portfolio consists of active long and short/hedging positions.

How does Dynamic Credit work?

We **flexibly** seek out alpha opportunities. We target market dislocations and idiosyncratic (i.e. issuer-specific) positions across various global credit sectors including high yield, emerging markets, securitised, investment grade and convertible debt.

We seek to **diversify** risk-asset returns by combining high-conviction security selection with disciplined management of portfolio volatility and correlations of positions within the portfolio. The aim is to achieve lower-than-market volatility compared with high yield and equities.

The strategy seeks to generate attractive credit returns across a variety of market **environments**. Compared with the typical alternative credit product, we would expect to outperform in rising rate environments because of our relatively low duration profile. We'd expect to capture less upside during broad-based market rallies because of our lower credit beta, but for the same reason we'd expect to be more resilient in "risk-off" markets.

Key credit investment instruments utilised

- High Yield
- Investment Grade
- Securitised
- Emerging Markets
- Convertible Bonds
- Credit Derivatives
- Bank Loans[1]

[1] Exposure to bank loans may be limited or prohibited by regulatory agencies based on portfolio structure.

T. Rowe Price Dynamic Credit Strategy – our investment approach

1. Harvesting market dislocation and inefficiency

The Dynamic Credit Strategy seeks to exploit market dislocations and idiosyncratic positions. It combines high conviction security selection with volatility and correlation management, seeking to reduce the portfolio's beta sensitivity to high-yield and equity market fluctuations.

The portfolio is long biased to credit and includes a collection of other exposures that are less correlated or negatively correlated to credit risk to manage overall portfolio volatility. Active features of our approach include:

- Shift tactically among credit sectors
- Allocate to positions with price appreciation potential

2. Balanced approach to pursue total return outcome

We seek to avoid overemphasis on just the highest-yielding ideas by:

- Using measured allocations to the most-risky credit sectors
- Implementing positioning to capture diversification across sectors

3. Global proprietary research

We seek to generate ideas utilising our global research platform

- Harnessing close collaboration among fixed income, quantitative ESG, and equity analysts enables robust multi-sector insight
- Providing multiple relative value screens across regions, sectors, and industries to identify highest conviction ideas globally

4. Proprietary quantitative resources

- Provide insight for enhancing optimal sector allocations and return forecasts
- Assess risk factors and risk modeling.

5. Concentrated portfolio construction

In order to provide meaningful position sizing to high conviction ideas we:

- Enable flexibility among various credit subsectors
- Embrace active selection
- Create natural capital allocation competition among ideas to get into and remain in portfolio

Investment Parameters	
Comparator Benchmark[1]	BofA US 3-Month Treasury Bill Index
Number of Issuers	100–200
Principal alpha drivers	80% sector/security selection 20% duration/country positioning
Sector focus	All global credit sectors, long bias with active shorts/hedging
Duration range	-2 to 6 years
Max per issue	5%
Leverage	Not permitted
Max industry exposure	25%

Key principles of risk management

- Maximise return per unit of risk
- Minimise undue credit beta

"We view Dynamic Credit as a liquid credit alternative within the Multi-Asset Credit universe and is characterized by a flexible, high conviction, lower volatility mindset."

Saurabh Sud CFA[2] **|** Portfolio Manager

[1] The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only

[2] CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

Why T. Rowe Price for dynamic fixed income strategies?

Long track record in the global fixed income markets

T. Rowe Price has been managing fixed income since 1971 – a 50-year track record of successfully guiding portfolios through a range of market environments. The sector experts on the Dynamic Credit Advisory Committee bring a total of 130+ years of investment experience from across the global credit markets.

Global platform and perspective

The Dynamic Credit investment team leverages the knowledge and expertise of our global fixed income research platform, providing full research coverage of the investment universe. As of 31 December 2021, the T. Rowe Price fixed income division had 220+ investment professionals in Baltimore, London and Hong Kong.

T. Rowe Price's trading resources help us identify potential price dislocations and ensure we can execute trades during local market hours across the globe.

Culture of collaboration

Collaboration is at the heart of our research culture. Proactive sharing of research ideas across and among debt, equity and Responsible Investing teams allows for more comprehensive investment insights in less transparent markets. This gives us greater conviction and patience in our (sometimes contrarian) views, and we believe it helps mitigate risk more efficiently.

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 portfolio manager can better balance an ESG factor within their traditional analysis.

T. Rowe Price at a glance[1]

- Founded in 1937
- US$ 1.6 trillion AUM
- 908 investment professionals worldwide
- 386 research analysts
- Offices in 16 countries
- Clients in 53 countries

T. Rowe Price Dynamic Credit Strategy	
Strategy inception date	January 2019
Strategy AUM	US$0.1 billion
T. Rowe Price Funds SICAV – Dynamic Credit Fund	
Fund size	US$26.1 million
Launch date	December 2019
Base currency	USD
Comparator benchmark [2]	ICE BofA US 3-Month Treasury Bill Index
ISIN (Class I)[3]	LU2047632240
Ongoing charges (Class I)[4]	0.675% per annum

[1]All figures as at 31 March 2022. Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates. The acquisition of Oak Hill Advisors (OHA) completed on 29 December 2021 included 46.9 billion USD of fee-basis AUM which are reflected in the firm's AUM at 31 March 2022.
[2]The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only
[3]Full details of all available share classes can be found on our website.
[4]Includes investment management fee.

Risks

The following risks are materially relevant to the fund (refer to prospectus for further details):

ABS/MBS risk – these securities may be subject to greater liquidity, credit, default and interest rate risk compared to other bonds. They are often exposed to extension and prepayment risk. **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. **Country risk (Russia and Ukraine)** – in these countries,risks associated with custody, counterparties and market volatility are higher than in developed countries. **Credit risk** – a bond or money market security could lose value if the issuer's financial health deteriorates. **Default risk** – the issuers of certain bonds could become unable to make payments on their bonds. **Derivatives risk** – derivatives may result in losses that are significantly greater than the cost of the derivative. **Distressed or defaulted debt securities** – because of the issuer's bankruptcy, reorganisation or liquidation process, the securities may lose their entire value, may be difficult to dispose of and may have to be held for an extended period of time with a high degree of uncertainty in the final level of recovery. **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. **Liquidity risk** – any security could become hard to value or to sell at a desired time and price. **Prepayment and extension risk** – with mortgage- and asset-backed securities, or any other securities whose market prices typically reflect the assumption that the securities will be paid off before maturity, any unexpected behaviour in interest rates could impact fund performance. **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. **Total return swap risk** – total return swap contracts may expose the fund to additional risks, including market, counterparty and operational risks as well as risks linked to the use of collateral arrangements.

General fund risks – to be read in conjunction with the fund specific risks above. **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 portfolios they manage (although in such cases, all portfolios 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.

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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