T. Rowe Price®

The T. Rowe Price Funds SICAV—Emerging Markets Corporate Bond Fund is now the Responsible Emerging Markets Corporate Bond Fund. The fund is categorised as Article 8 under Sustainable Finance Disclosure Regulation (SFDR).

EMERGING MARKETS CORPORATE BOND STRATEGY

Applying deep expertise to an under-researched asset class

Emerging markets (EM) corporate debt is a fast-growing but relatively under-owned and underresearched market. T. Rowe Price brings a decade of specialist active security selection experience to this potentially rewarding asset class.

Advantages of EM corporate debt

1. Fast-growing and evolving opportunity set
2. A history of resilience amid volatility
3. Powerful diversification potential
4. Inefficiencies and information gaps can potentially reward active investors

A fast-evolving asset class

Corporate debt is the fastest-growing area of the hard-currency emerging markets (EM) debt universe, with new issuance averaging 25% of outstanding debt every year since 2011. The asset class spans more than 1,400 issues from firms in 58 countries and, as of the end of June 2021, stood at over US$2.4 trillion – making it larger than either the US high yield or hard-currency EM sovereign markets.

Historically, EM corporate debt has been relatively resilient. For example, in the two months to the end of March 2020, during the Covid-19 shock, hard-currency EM corporates declined 11.5%, compared with losses of 19.8% for EM equities.[1]

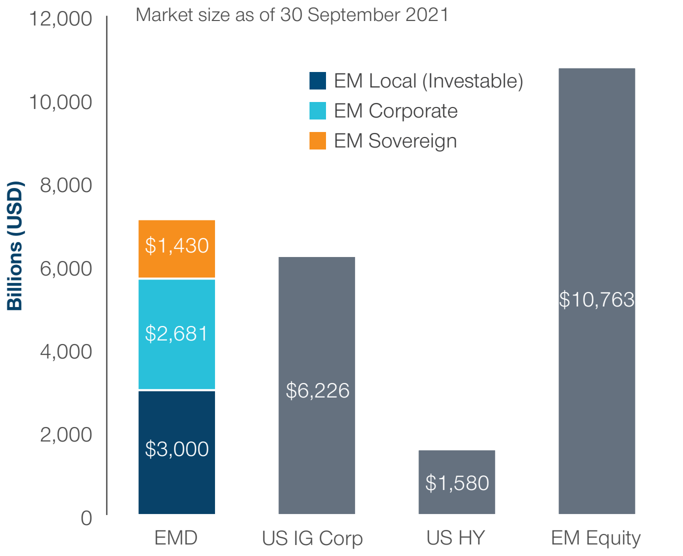
We believe EM corporate debt offers potentially attractive risk-adjusted returns at the index level, as well as many potential opportunities for outperformance through security selection. Over time, we expect the asset class to be more widely embraced by investors as the size and depth of the EM corporate opportunity set become better understood.

The opportunity for investors

Today, relatively few investors have a strategic allocation to EM corporate debt, even though it potentially offers meaningful diversification benefits. The asset class remains under-researched. Only about 5% of the EM corporate debt market is owned by dedicated investors—entities that specialise in this asset class and are benchmarked to the J. P. Morgan CEMBI indices.[2] This can create opportunities for specialist managers who know the terrain and do in-depth fundamental research.

EM corporate debt is a diverse asset class, that potentially offers significantly different risk/return profiles from one region to another, allowing investors to adjust their exposures through a market cycle. And frequent market inefficiencies present opportunities for active managers to exploit across regions.

EM corporates in context



EM Sovereign: J.P. Morgan Emerging Markets Bond Index Global; EM Corporate: J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified; EM Local: J.P. Morgan Government Bond Index—EM Global Diversified; U.S. IG Corporate: Bloomberg U.S. Corporate Investment Grade Index; U.S. High Yield: Bloomberg U.S. High Yield Index; EM Equity: MSCI Emerging Markets Index. Sources: J.P. Morgan, MSCI and Bloomberg. Bloomberg Index Services Ltd. Copyright © 2021, Used with permission. See additional disclosures.

[1] EM Local Currency: J.P. Morgan GBI-EM Global Diversified, EM Corporate: J.P. Morgan CEMBI Broad Diversified, EM Equity: MSCI Emerging Markets.
[2] Source: J.P. Morgan.

Emerging Markets Corporate Bond Strategy – investment approach

Flexible asset allocation

Our investment process is designed with two goals in mind: to identify diverse and repeatable sources of alpha and to avoid permanent capital loss due to default.

We apply a benchmark-agnostic but risk-aware approach to selecting investment grade and high yield issues that we believe have the potential to outperform the broader market over the medium term. We seek to outperform the index by capturing diverse sources of genuine excess return, rather than just chasing yield or having excessive portfolio concentration.

Selective approach to high-yield credits

During rising markets, we have tended to selectively overweight high-yield credits and, during drawdowns, have largely avoided the weakest parts of the market. Our tendency to avoid or underweight the highest-beta, lowest-quality areas of the market has sometimes caused us to underperform peers in 'risk-on' environments.

Strategy Profile	
Indicative Benchmark	J.P. Morgan CEMBI Broad Diversified
Number of Issuers	100-150
Expected Value Added	
Security Selection	80%
Sector Selection	20%
Off-Index Parameters	
Sovereign Debt	Max 15%
Local Currency-Denominated Debt	Max 10%

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. ESG analysis is fully integrated at both the quantitative and qualitative levels.

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.

"We focus on corporate governance, liquidity, detailed financial and strategic analysis and ESG considerations to help us identify outperformers and avoid credit distress"

Samy Muaddi | Portfolio Manager

Why T. Rowe Price for EM corporate bonds?

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.

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.[1]

A pioneer in emerging markets

T. Rowe Price has been managing fixed income since 1971 – a 50-year track record of 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.

Several of the people who helped establish our EM businesses decades ago are still with us. Low staff turnover gives us a major advantage: consistency in our processes.

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. Our EM debt and equity analysts routinely travel together on research trips.

Combining EM and developed-market perspectives

Emerging countries are inextricably linked to developed markets. Infrastructure-driven sectors, such as energy, materials and industrials, have become less important drivers of performance, while consumer-oriented sectors such as IT have increased in importance. This appears likely to continue as EM countries, led by China, transition toward more consumer-driven economies. Our broad research resources and collaborative culture allow us to pivot seamlessly between sectors.

Global platform and perspective

We believe it is impossible to fully assess an EM corporate bond issue without understanding relevant domestic politics, economics and equity markets. In a normal year, members of our EM corporate debt team typically make over 200 research trips, frequently traveling with our sovereign debt and equity analysts to develop a properly nuanced view of each situation.

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.

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. **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.

[1] The exclusion list specifically applies to the SICAV but can be applied to separate accounts according to client preference.

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. **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 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 investments.

T. Rowe Price at a glance[1]

- Founded in 1937
- US$ 1.6 trillion AUM
- 760 investment professionals worldwide
- 367 research analysts
- Offices in 17 countries, research analysts in 9 locations
- Clients in 49 countries

T. Rowe Price Emerging Markets Corporate Bond Strategy	
Portfolio manager	Samy Muaddi
Strategy inception date	June 2010
Strategy AUM	US$3.1 billion
Indicative benchmark	J.P. Morgan CEMBI Broad Diversified

T. Rowe Price Funds SICAV – Responsible Emerging Markets Corporate Bond Fund[4]	
Fund size	US$257.1 million
Launch date	May 2011
Base currency	USD
ISIN (Class I)[2]	LU0596126465
Ongoing charges (Class I)[3]	0.80% per annum

[1] All figures as at 30 September 2021. 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 – Emerging Markets Corporate Bond Fund became the T. Rowe Price Funds SICAV – Responsible Emerging Markets Corporate Bond Fund.

Important information

The Fund is a sub-fund 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 and via www.troweprice.com. Please note that the Fund typically has a risk of high volatility.

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