T. Rowe Price®

EMERGING MARKETS LOCAL CURRENCY BOND STRATEGY

Investment Objective : **To maximise the value of its shares through both growth in the value of, and income from, its investments. The fund is actively managed and invests mainly in a diversified portfolio of bonds of all types from emerging market issuers. The fund may use derivatives for hedging, efficient portfolio management and investment purposes. The fund may also use derivatives to create synthetic short positions in currencies and debt securities**

Taking the risks that pay, managing those that don't

Emerging market local currency government bonds can be an attractive source of income and diversification. Our approach seeks to harvest the attractive yields available, while managing currency volatility.

The Emerging Markets Local Currency Bond Strategy benefits from our award-winning fixed income performance, resources and research process: T. Rowe Price currently holds Morningstar's title of 'Best Fund House: Fixed Income' in Germany, Switzerland, Italy, Spain, Portugal and BeFraLux.[1]

Attractive yield opportunities from investment grade assets

Emerging markets (EM) local currency debt consists predominantly of government and agency bonds. The market has grown over the past 20 years to roughly US$3 trillion, accounting for around half the global market in EM debt.

EM local currency debt has traditionally offered an attractive combination of yield and quality. The asset class has historically offered a significant yield premium over developed-market (DM) government bonds, with investment-grade credit quality. The J.P. Morgan GBI-EM Broad Diversified Index had an average credit rating of BBB as of the June 2022, with a default rate of 0% since its inception.

The benefits of diversity and market inefficiency

This is a diverse and dispersed asset class, spanning issuers that are at different stages of their economic and interest rate cycles. In other words, EM local currency debt provides diversification benefits for developed-world bond portfolios, notably an increased range of options to diversify home-country interest rate risk.

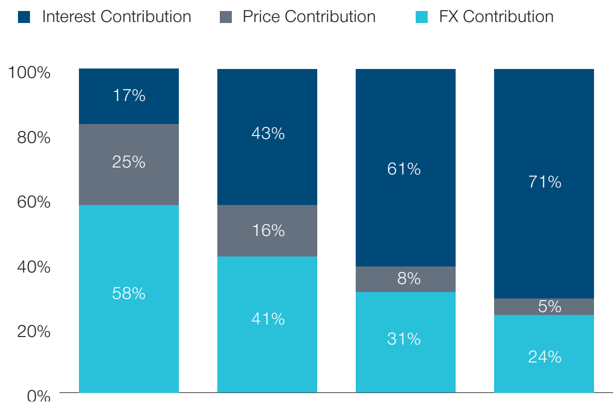
In increasingly efficient global markets, EM local currency debt remains one of the most plentiful sources of pricing inefficiencies and information gaps that can be exploited by active managers to generate excess returns for their clients. We believe that this is an asset class where active managers, who are able to depart selectively from the benchmark, are better placed to deliver alpha (above-benchmark returns) than index-tracking vehicles.

The importance of time horizon

EM local currency bonds are often seen as one of the more volatile areas of the fixed income universe, due to their currency exposure. And it is true that currency volatility can be a significant factor in overall short-term performance. However, the contribution of the currency exposure to overall volatility and returns diminishes the longer the investment horizon is, and the asset class's attractive coupon characteristics increasingly come to the fore over time. (see chart).

Contribution to returns*

For the period 31 December 2002 to 30 June 2022



Past performance is not a reliable indicator of future performance.
J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. See Additonal Disclosures.
*Percentage of the squared returns for each component, over specified window.

[1] **Past performance is not a reliable indicator of future performance.** Awards for 2019 fund performance awarded in 2020. Past performance is no guarantee of future results.

Emerging Markets Local Currency Bond Strategy - investment process

Three factors drive our conviction in security selection:

1. Fundamentals

Factors such as growth and inflation, trade and current account balances, fiscal and monetary policy, as well as political stability and ESG considerations all contribute to a country's fundamental credit outlook. We develop proprietary credit ratings for each country. (While we closely observe the activity of the rating agencies, our internal ratings are more forward-looking and tend to adjust more quickly to changing circumstances.)

Goal: Identify issuers with improving credit quality; flag up deteriorating issuers

2. Valuation

We look for situations where current valuations do not fully capture the positive fundamentals we have identified. We compare valuation metrics—including real yields, real exchange rates and credit spreads—both in absolute terms and relative to historical measures and to other markets.

Goal: Identify issues where the market is not fully pricing in the fundamentals

3. Technicals

For example, we consider the positioning of market participants in relation to a trade and investor flows into and out of a specific country's bonds and currency, as well as into and out of EM overall.

Goal: Inform risk management and complement our fundamental and valuation analyses

Why the T. Rowe Price Emerging Markets Local Currency Bond Strategy

Local currency EM bonds behave like two asset classes in one: a low-volatility government bond component and a potentially higher-risk currency component. Each requires its own approach.

We seek alpha by selecting bonds and currencies with improving fundamentals, attractive valuations and supportive technicals. We then aim to manage currency volatility, in part by using a relative value strategy to select currency pairs (see 'Getting risk right in EM currency'). The primary objective in bond selection is alpha. In currency, the primary goal is managing volatility, with alpha as a secondary objective.

One of the ways in which we seek to add value through active management is to take selected off-benchmark positions in frontier countries such as Serbia, Egypt and Kenya. In this respect, we believe our firm's large global research platform gives us an edge.

Getting risk right in EM currency

Currency pairs consist of a long position, based on a positive research view, weighted against a short or underweight position in an alternative, often one with relatively attractive volatility and interest rates and a shared (positively correlated) risk factor.

For example, a bullish research view on the Mexican peso might be hedged with the Canadian dollar. Both have high correlations to the US dollar—and therefore to US growth, trade and risk appetite—and sensitivity to oil. Therefore, if a long position in one of these currencies is matched with a short position in the other, idiosyncratic alpha can be captured in the peso while hedging some of the systematic risks that are shared by both currencies.

Strategy Profile	
Typical number of holdings	100 to 150 securities
Expected Value Added	
Currency management	50%
Country/duration management	40%
Sector allocation and security selection	10%
Investment Parameters	
Country allocation	Max 30% per country Max 10% in US dollar-denominated emerging markets debt (EMD) securities
Duration management	+/-1 year per country relative to benchmark +/- 2 years in aggregate relative to benchmark
Currency management	Max 10% in US dollar-denominated EMD securities Net short allowed up to 20% for non-index currencies
Inflation-linked debt	Max 20% in aggregate
Corporate allocation	Below 10% in aggregate Max 1% per issuer (excluding quasi-sovereign)

Why T. Rowe Price for emerging market bonds?

Managing emerging market bond portfolios since 1994

As of 31 March 2022, we managed over US$14.1 billion in emerging market bond mandates and have invested in emerging market local bonds since the birth of the asset class.

Experienced, well-resourced team

Lead portfolio manager Andrew Keirle has almost two decades of industry experience. The PM is supported by 9 sovereign analysts and 10 EM corporate analysts. Each analyst is responsible for conducting his or her own research within a strict framework that focuses on both long-term rating projection and short-term investment conviction. Dedicated teams of quantitative analysts and EM bond traders also support this strategy.

A disciplined approach to risk

We believe in risk diversification and risk control in the active management of our strategy. A significant part of our effort is dedicated to understanding the underlying risk of each active investment position, as well as the overall level of risk borne by our portfolios.

Extensive global resources

Fixed income analysts have access to our firmwide, global knowledge base, thanks to a robust research platform. T. Rowe Price has 33 equity analysts dedicated to EM, focusing on companies and countries. Collaboration is deeply entrenched in our culture. Investment professionals across the entire organisation share insights, enabling us to evaluate opportunities from many angles and bring broader and deeper analysis to our clients. Our analysts share views with our developed markets macroeconomics team, industry specialists, commodity analysts and political analysts. Our investment professionals also have access to the research of our dedicated ESG specialists. The EM Local Currency Bond team frequently draws quality information from these analysts to help improve and complement investment decisions.

ESG fully integrated in quantitative and qualitative analysis

An in-house proprietary model, known as the Responsible Investing Indicator Model (RIIM), systematically and proactively screens the responsible investing profile of investments. 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.

Risks

The following risks are materially relevant to the fund (refer to prospectus for further details):
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 (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. **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. **Derivatives risk** - derivatives may result in losses that are significantly greater than the cost of the derivative **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.**Total return swap -**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.

Counterparty risk - an entity with which the fund transacts may not meet its obligations to 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 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. **ESG and Sustainability risk** - may result in a material negative impact onthe value of an investment and performance of the fund. **Market risk** - may subject the fund to experience losses caused by unexpected changes in a wide variety of factors

Emerging Local Markets Bond

T. Rowe Price at a glance[1]

- Founded in 1937
- US$1,309.7 bn in assets under management[2]
- 392 research analysts collaborating across asset classes and industries
- 924 investment professionals worldwide
- Offices in 17 markets, research analysts in 9 different locations
- Clients in 52 countries

T. Rowe Price Emerging Markets Local Currency Bond Strategy	
Portfolio manager	Andrew Keirle
Strategy inception date	September 2007
Strategy AUM	US$504.7 million
T. Rowe Price Funds SICAV – Emerging Local Markets Bond Fund (actively managed)	
Fund size	US$116.3 million
Launch date	August 2007
Base currency	USD
Comparator benchmark*	J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified
ISIN (Class I)[2]	LU0310189781
Ongoing charges (Class I)	0.75% per annum[3]

[1]All figures as at 30 June 2022.
[2]Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.
[3]Full details of all available share classes can be found on our website. Ongoing charges include the investment management fee.
*The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

Additional disclosures

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