



EURO CORPORATE BOND STRATEGY



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

Exploiting market inefficiencies through active management

Euro-denominated corporate bonds are one of the deepest and most liquid segments of the global investment-grade corporate bond market. Using proprietary research and active management, T. Rowe Price's Euro Corporate Bond strategy aims to exploit inefficiencies in this market, seeking to generate a combination of income and capital growth.

Why euro corporate bonds?

On the spectrum of risk and return, investment-grade (IG) euro-denominated corporate bonds sit somewhere between government bonds and high yield.

From an income perspective, IG corporates typically offer lower coupons than high-yield bonds, but considerably more than government bonds, many of which have moved into negative-yielding territory in recent years. IG corporates also offer potential for capital appreciation, if investors can pick issuers with tightening credit spreads.

IG corporate bonds have more interest-rate exposure than high yield, so they behave more like government bonds, and this can make them more defensive at times of market volatility because they are less correlated with equities than high yield. IG credit carries more credit (default) risk than government bonds because of the role company-specific factors play in driving returns, but IG issuers typically have stronger balance sheets and cash flows than high-yield firms.

The investment-grade market is a relatively globalised one, with the larger global companies typically issuing bonds in more than one currency, which means that euro IG investors' exposure is not limited to companies domiciled in the euro area.

The importance of security selection

In the euro corporate bond market, macroeconomic expertise is important, but it is even more crucial to get security selection right, given the wide variety of issuers within the sector. There are more than 3,000 different bonds in the Bloomberg Barclays Euro-Aggregate: Corporates Bond Index.¹

We believe the key to success in the euro IG corporate market is intensive proprietary fundamental research that seeks to

identify the best-performing issuers and to avoid or eliminate those with poor or deteriorating creditworthiness. We have a long-term investment horizon, meticulous risk management and an approach that seeks to add value through multiple incremental sources of return, rather than relying on large bets that may or may not pay off.

Key drivers of performance in euro corporate bonds

CREDIT ANALYSIS	Using in-depth credit research and proprietary credit ratings to identify and eliminate investments with deteriorating credit profiles, incorporating ESG considerations
SECTOR/ INDUSTRY SPECIALISTS	Employing sector/industry specialists to exploit long-term industry trends
LONG INVESTMENT HORIZON	Leveraging our global research to find the best ideas, not short-term relative value trades
RISK MANAGEMENT	Focusing on diversification and analysis of covenants
DIVERSIFIED ALPHA SOURCES	Seeking multiple diversified alpha generators

¹Source; Bloomberg Barclays, please see Additional Disclosures.

Euro Corporate Bond strategy - investment process

With around 130 to 160 holdings, the Euro Corporate Bond strategy is a relatively diversified one. We assess the risks across the asset class, sectors and individual companies, and ask how well we are compensated for those risks. We focus on company-specific factors rather than betting on market direction. In this way, we seek to deliver a smooth return profile that can outperform in both bull and bear markets.

Our investment process is designed to make the best use of our proprietary fundamental research in a disciplined, repeatable way, and it combines top-down and bottom-up analysis.

Top down

Our macroeconomic research team generate forecasts of where we believe we are in the credit cycle, based on expectations about growth, inflation, fiscal and monetary policy and sector outlook. The main top-down portfolio decision is duration: how much interest-rate exposure to take. Duration may be used as a risk management tool: for example, if we are overweight credit exposure, we might add some duration to dial down overall portfolio risk.

Bottom up

We believe about 70% of the value we add should come from bottom-up decisions, the most important of which is issuer selection. Our analysts apply quantitative and qualitative research and relative value screening to arrive at their highest-conviction ideas based on fundamental strength and valuation. Each issuer is assigned a proprietary credit rating and conviction score.

The quantitative stage of credit analysis incorporates data from our proprietary Responsible Investing Indicator Model (RIIM), which currently covers roughly 95% of the names in the euro investment-grade bond universe. In the qualitative stage, environmental, social and ethical issues flagged by the model are discussed by the credit analysts with their industry/sector counterparts in the Responsible Investing team, and outstanding issues are revisited periodically.

The weights allocated to the analysts' highest-conviction ideas in the portfolio are influenced by a range of factors including yield-curve analysis to identify which maturities offer the best value, and analysis of industry themes. Here we seek to identify secular shifts and trends, technological disruption and ESG considerations, and we apply factor risk analysis.

Through our ongoing risk management processes, we continuously model our corporate bond portfolios to ensure unintended risks are identified and mitigated.

Strategy Profile	
Indicative Benchmark	Bloomberg Barclays Euro-Aggregate: Corporates Bond Index
Typical number of holdings	130-160
Expected Value Added	
Security Selection	70%
Sector allocation	30%
Investment Parameters	
Sector	±15% relative to index weight
Issuer	Max 3%
High yield	Max 20%
Non-euro allocation	Max 10%
Currency management	Fully hedged back to euro
Duration management	±0.5 years relative to benchmark
Derivative instruments	Allowed, for active management and hedging

“We believe that getting many small ideas right can help generate alpha in a consistent and diversified way over time”

David Stanley – Portfolio Manager

Why T. Rowe Price for investment-grade credit?



Responsible investing

Environmental, social, and ethical considerations have long been 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 credit research by leveraging data sets, such as ESG performance data, ESG targets and ESG incident/controversy data, that are gaining increased focus from corporate issuers and investors. RIIM helps to quantify the environmental, social and ethical profiles of potential investments so that the analyst or PM can systematically integrate ESG factors into the investment thesis for our holdings

Further, 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.



Culture of collaboration

The investment team works closely with the fixed income analysts, but also with our extensive global equity research platform. We believe this collaboration creates more comprehensive investment insights and provides a rich source of fundamental credit ideas.

The team is supported by both credit research and quantitative analysts, as well as dedicated corporate bond traders. Day-to-day portfolio management is a highly collaborative process, with input and insight coming from across the credit research and quantitative analyst teams.



Long track record in the credit markets²

T. Rowe Price has been investing in the credit markets since 1987 and has developed an approach that is consistent and that has performed through different credit cycles and a wide range of market environments. The Euro Corporate Bond strategy, which has a 20+ year track record. Lead portfolio manager David Stanley has more than 30 years of investment experience, 16 of which have been at T. Rowe Price. The team has an average of more than two decades of fixed income investing experience, which means they have developed knowledge of how to succeed during both rising and falling-rate environments and different levels of volatility.



Global platform and perspective

The Euro Corporate Bond investment team can leverage the knowledge and expertise of our global fixed income research platform, providing full research coverage of the investment universe. We believe our ability to source investment ideas globally gives us an edge when evaluating bonds in the benchmark that have been issued by companies outside Europe. As of 30 September 2021, the T. Rowe Price fixed income division had 220+ investment professionals in Baltimore, London and Hong Kong.

² Past performance is not a reliable indicator of future performance.

Risks

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

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. **Emerging markets risk** - emerging markets are less established than developed markets and therefore involve higher risks. **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

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

Additional disclosures

Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

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.

This material is being furnished for general informational and/or marketing purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

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.

T. Rowe Price at a glance¹

- 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 Euro Corporate Bond Strategy

Portfolio Manager	David Stanley
Strategy inception date	July 2001
Strategy AUM	€260.2 million
Indicative benchmark	Bloomberg Barclays Euro-Aggregate Corporates Bond Index

T. Rowe Price Funds SICAV – Responsible Euro Corporate Bond Fund

Fund size	€260.2 million
Launch date	February 2002
Base currency	EUR
ISIN (Class I) ²	LU0133091248
Ongoing charges (Class I)	0.50% per annum ³

¹All figures as at 30 September 2021. Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.

²Full details of all available share classes can be found on our website.

³Ongoing Charges include the investment management fee.

⁴Effective 2 November 2021 the T. Rowe Price Funds SICAV - Euro Corporate Bond Fund became the T. Rowe Price Funds SICAV - Responsible Euro Corporate Bond Fund

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass.

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. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

EEA – Unless indicated otherwise this material is issued and approved by T. Rowe Price (Luxembourg) Management S.à r.l. 35 Boulevard du Prince Henri L-1724 Luxembourg which is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier. For Professional Clients only.

UK – This material is issued and approved by T. Rowe Price International Ltd, 60 Queen Victoria Street, London, EC4N 4TZ which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

DIFC – Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd. This material is communicated on behalf of T. Rowe Price International Ltd by its representative office which is regulated by the Dubai Financial Services Authority. For Professional Clients only.

Switzerland – Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. First Independent Fund Services Ltd, Klausstrasse 33, CH-8008 Zurich is Representative in Switzerland. Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich is the Paying Agent in Switzerland. For Qualified Investors only.

© 2021 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.