T.RowePrice®

# GLOBAL HIGH INCOME BOND STRATEGY

**Investment Objective :** To maximise the value of its shares through both growth in the value of, and income from, its investmentsopportunities, harnessing a variety of sources of returns. The fund is actively managed and invests mainly in adiversified portfolio of high yield corporate bonds from issuers around the world, including emerging markets.

## A high-conviction, active approach to a truly global opportunity set

The global high yield bond market offers investors a very large opportunity set, with the potential to seek income, capital growth and portfolio diversification. A truly global approach to the asset class gives access to the full range of high yielding opportunities, harnessing a variety of sources of returns.

**Advantages of global high yield debt**

1. Fast-growing and evolving opportunity set
2. Compelling risk return trade-off
3. Powerful diversification potential
4. Inefficiencies and dispersion can reward active investors

### A compelling risk-return trade-off

Historically, high yield bonds have been one of the highest income-generating classes in the fixed income universe. This return has come at a reasonable level of risk. Although the correlation of high yield bonds' performance with equity markets has tended to be high (compared with investment-grade bonds), the range of price movement is much narrower. High yield bond volatility has historically been around half that of global equity markets. High yield bond valuations also tend to be less sensitive to interest-rate risk than investment grade bonds.

### Powerful diversification potential

The global high yield bond market was traditionally dominated by US-based issuers, but that has changed. The universe of European and emerging market (EM) high yield issuers has grown steadily in the last 20 years, particularly since the Global Financial Crisis in 2008/09. Between 2000 and 2019 the market capitalisation of the ICE BofA/ML Global High Yield Bond Index grew from about US$360 billion in mostly US issuance, to roughly $3 trillion, of which only half came from US issuers. As the global array of high yield bond issuers has grown, so have the opportunities. High yield investors can now build a selective, well-diversified portfolio, accessing a wide range of bond issuers in countries at different stages of their economic cycles.

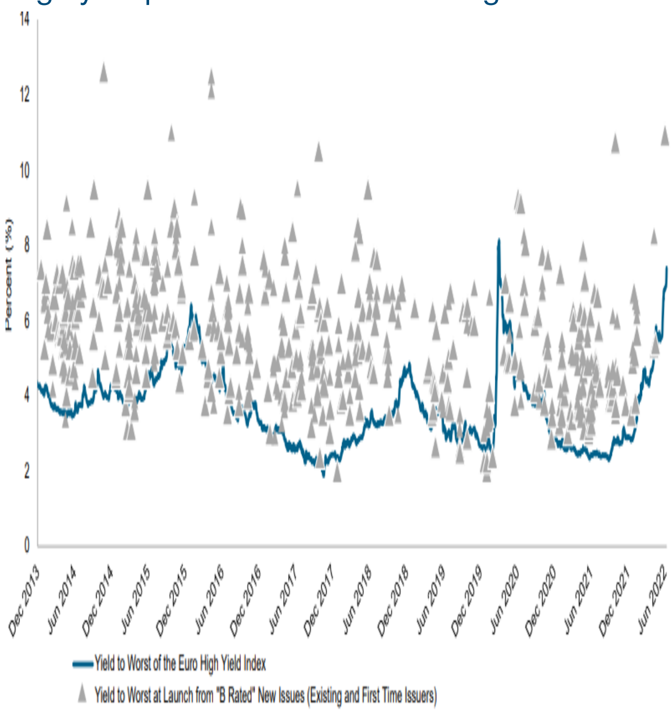
High yield bonds are often perceived as a relatively homogeneous asset class, in which all issuers are high risk. In reality, there is a wide range of quality in high yield issuers. For example, high yield bond issuers in emerging markets typically have lower leverage than their developed market counterparts – usually not reflected in their valuation or rating on account of the perceived riskiness of EM issuers.

### Inefficiencies can create opportunity for active investors

Investment markets don't always work entirely efficiently, and this is often true in the high yield bond world. Persistent anomalies can be a reliable source of added value (alpha) for active investors with expertise in security selection.

The chart shows the yields at which single B-rated new bond issues came to market in European high yield from 2013 to 2019, compared with the average yield on the single B index. Bonds with the same credit agency risk rating have been issued at yields ranging from around 2% to 13%, reflecting the market's views on their relative riskiness. Wide price dispersion potentially makes it more rewarding for active investors to identify future winners and avoid the losers.

### Highly dispersed market: Euro single B bonds




Constrained Ex Subordinated Financials Index.

# T. Rowe Price Global High Income Strategy – our investment approach

## What it takes to succeed in global high yield

| Flexible asset allocation | High conviction portfolio | Thorough diversification |
|---|---|---|
| The ability to express thematic ideas and harness opportunities in an unfettered portfolio | Bottom-up, fundamental security selection based on extensive local credit research | Diversified holdings across industries and regions, in countries at different stages of the economic cycle |
| ↓ | ↓ | ↓ |
| **Access to a wide range of sources of return** | **Meaningful investments in attractive issuers** | **Diversification for better risk-adjusted returns** |

### Flexible asset allocation

The strategy gives investors access to a truly global opportunity set not often found in other global high yield strategies, with access to around USD $3 trillion of global high yield bonds. The portfolio's typical regional allocation mix includes approximately 50% of issuers in North America, 25% in developed European markets, and 25% in emerging markets.

The strategy is managed by three portfolio managers, each a specialist in one of these three regions. They build a portfolio with a global perspective, factoring in both local opportunities and global risk factors at the overall portfolio level, leveraging T. Rowe Price's proprietary macro and fundamental research.

### High-conviction security selection

Our active, bottom-up credit selection process leads to meaningful overweight and underweight positions in countries, regions, and industries. Rather than conjoin three regional "silos" into one portfolio of many hundreds of positions, we build a single portfolio of around 150 of our best ideas, capitalising on specific opportunities across the portfolio's three regions. Although relatively concentrated, our portfolio is well diversified across issuers, regions, industries and drivers of economic growth. This size of portfolio allows us to put our best ideas into practice with allocations (as well as what we choose not to own) that will contribute meaningfully to our performance.

We invest in high yield bonds issued by companies that are fundamentally improving, or where we can identify a clear (but unrealised) catalyst for improvement, or companies that are reducing their leverage. We scrutinise all potential investments on the basis of qualitative and quantitative company analysis, an industry overview, ESG considerations, valuation and technical factors.

### Management of risk

There are multiple sources of risk to take into account in a global portfolio, so we aim to simplify what we're doing – to deliver consistent, repeatable outcomes/returns. We focus on building intentional sources of risk (and therefore drivers of returns) in the portfolio in clear cut decisions in security selection, plus the industry and geographic exposure that creates. We neutralise currency risk in the portfolio to reduce this potential noise – the primary risks we take are driven by our active security selection.

| Investment Parameters | |
|---|---|
| **Number of issuers** | 150 - 200 |
| **Maximum issuer weight** | 3% |
| **Allocation to US, Canada, other** | 30% - 70% |
| **Allocation to Europe** | 10% - 50% |
| **Allocation to Emerging Markets** | 0% - 40% |
| **Currency** | Hedged to base currency of share class |
| **Derivatives** | Currency forwards (for hedging); 10% limit on credit default swaps |

*"We believe our fundamental credit research can discover companies around the globe that are positioned to improve their credit profile in various market conditions."*

**Mike Della Vedova** | Co-Portfolio Manager

# Why T. Rowe Price for global high income?

We believe our active, research-intensive approach, our experienced portfolio management and research teams and our collaborative culture are key to delivering long-term success.

## Our research edge in global high yield

**Going beyond the numbers: T. Rowe Price's extensive local and global research**

Our active investment decisions are backed by one of the industry's largest and most experienced buy-side global research platforms. Local analysts operate in the world's major economies, working in collaboration with our global network of specialists across all industries and major asset classes to find the best investment ideas.

Our analysts go beyond the numbers, getting out into the field to see first-hand how local economies and companies are performing today and, more importantly, to make informed and responsible judgements about how we think they'll perform in the future.

**Our 200+ global fixed income and equity analysts work in partnership to gain a holistic view of a company's capital structure, with an eye toward the unique market environment inherent to each company, country, or region where we are invested.**

**Local Research**
Boots on the ground

Research analysts in nine offices provide coverage of local economies and companies.

**Global Analysis**
Multi-disciplinary collaboration

Evaluating local opportunities in a global context, with additional depth from the collaboration of our debt and equity analysts.

**Our Research Culture**
Going beyond the numbers

We seek to identify emerging trends and catalysts for change, validated through one-to-one meetings and on-site visits.

# Breadth of experience

The T. Rowe Price Global High Income Strategy has been managed by Mike Della Vedova, Michael Connelly and Samy Muaddi since 2015. They are supported by a team of more than 50 global high yield analysts, emerging market credit and sovereign analysts, portfolio and quantitative analysts, and traders.

**Mike Della Vedova**
Co-Portfolio Manager
Europe specialist

Years in the industry: **28**
Years at the firm: **12**

**Samy Muaddi, CFA ®**
Co-Portfolio Manager
Emerging Markets specialist

Years in the industry: **16**
Years at the firm: **16**

**Michael F. Connelly, CFA ®**
Co-Portfolio Manager
US specialist

Years in the industry: **21**
Years at the firm: **16**

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## 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. **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. **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. **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**. **Market risk** – Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors. Operational - Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes. **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 on the value of an investment and performance of the fund.

**T. Rowe Price at a glance***

- Founded in 1937
- US$1,309.7bn in assets under management
- 392 research analysts collaborating across asset classes and industries
- 255 equity analysts, 93 fixed income analysts, 44 multi-asset analysts
- Offices in 17 markets, research analysts in 9 different locations
- Clients in 53 countries

| T. Rowe Price Global High Income Strategy | |
|---|---|
| Strategy inception date | 31 January 2015 |
| Strategy AUM* | US$ 874.0 million |

| T. Rowe Price Funds SICAV – Global High Income Bond Fund (actively managed) | |
|---|---|
| Fund size** | US$429.7 million |
| Launch date | 4 June 2015 |
| Base currency | USD |
| Comparator benchmark*** | ICE BofAML Global High Yield Index Hedged to USD |
| ISIN (Class I) | LU1216622644 |
| Ongoing charges (Class I) | 0.70% per annum |

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

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