US HIGH YIELD BOND STRATEGY

An active approach to the world's largest high yield bond market

We view high yield as a strategic long-term allocation as the asset class has historically provided attractive levels of income and diversification. T. Rowe Price's US High Yield Bond team takes a highly active, flexible approach, seeking to exploit opportunities and manage the risks in this rewarding and challenging market.

The fund aims to maximise the value of its shares through growth, value and income, from its investments in a diversified portfolio of US-issued high yield corporate bonds.

Advantages of US high yield

1. World's largest and most established high yield market provides access to the grass roots of the US economy
2. Inefficiencies and information gaps create opportunities for flexible, active investors
3. Attractive diversification potential

The original high yield market

The US is the oldest high yield bond market, dating back to the 1980s. With total outstanding issuance of around US$1.3 trillion, it remains the world's largest high yield market.

US high yield offers fixed income exposure to a cross section of around 1,000 primarily domestically focused companies that represent the grass roots of the US economy across sectors including energy, telecoms, healthcare, industrials and consumer businesses. Average issue sizes tend to be somewhat bigger than in other regions, which helps create a more liquid market.

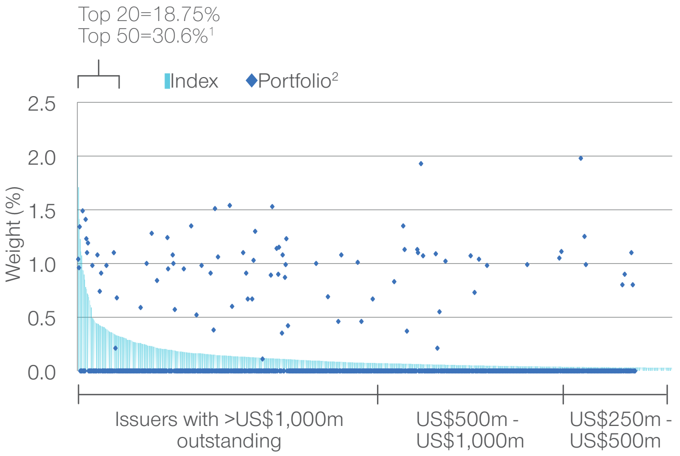
The active opportunity

Large market participants tend to concentrate on the most heavily indebted issuers. Exchange-traded funds, for example, replicate a market-weighted benchmark so they have to own big names without regard to the underlying business fundamentals. This is a narrow playing field: a handful of only 50 companies accounts for roughly a third of the debt in the index (see chart). In the top 50, there are often good opportunities for the selective investor. But there is an even deeper pool of bonds issued by less widely researched companies that tend to trade less efficiently, in which active managers have the potential to add value through security selection. Flexibility is needed to be able to invest across the capital structure of large, medium, or small firms, and more concentrated exposure can allow these less widely followed issuers to have a greater impact on the portfolio. Active selection serves as a crucial risk control: by identifying and avoiding the underperformers, managers can help reduce the likelihood of capital loss.

Diversification potential

The US market offers international investors a way to diversify sources of return by investing in a broad set of companies. The mix of sectors also differs from that in Europe (in the US, as of 31/03/22 and 29/06/22, the top three sectors are energy, healthcare, and media) so adding US high yield offers European investors a way to diversify the heavy weighting of financials in the European high yield universe.

Top 750 US high yield issuers – Weight in the benchmark vs. weight in representative portfolio



As of June 30, 2022. [1]Top 20 and Top 50 percentages are for the index. [2]US High Yield Bond Representative Portfolio. The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of other accounts in the strategy.

US High Yield Bond strategy – investment approach

Concentrated, high-conviction portfolio

With a 200-issuer limit, we believe our strategy is more concentrated than those of many competitors. We want our high-conviction ideas to have a meaningful impact on client outcomes – we are putting our high-conviction research to work for our clients. While a smaller number of issuers may increase concentration risk, we believe that it also has the benefit of making us more nimble – for example in adjusting industry weights and credit quality.

Proprietary credit ratings and spread targets

Our fundamental credit analysis takes into account a multitude of factors including the small print of bond indentures, and a wide range of environmental, social and governance factors. Our analysts' credit ratings incorporate more forward-looking factors than those of the rating agencies, resulting in our own proprietary credit views.

This analysis is applied to all new issues that come to market, and we maintain a history of our research, even for deals we don't invest in. We have been doing this since 2007, and it is one way in which we stay on top of a large opportunity set while focusing on our highest-conviction names.

Proprietary and strategic use of attribution reporting

Rigorous analysis of what is working (and not working) in the portfolio provides consistent, repeatable portfolio monitoring. Our attribution analysis, which combines market movements with our fundamental views, also assesses issuers that we don't own and highlights areas for future credit research work. This is an important technique in staying on top of a large opportunity set.

Rigorous review process

On an ongoing basis, we test our highest-conviction ideas and industry positioning. In addition to normal daily review, the portfolio goes through a full review and reassessment once every six months in which every holding is scrutinised. We also run a quarterly ESG analysis, which is reviewed by the investment team, together with our Responsible Investing team.

Strategy Profile	
Number of Issuers	100-200
Average position size:	0.75%-2.00%
Maximum allocation:	5%
Expected Value Added	
Security Selection	80%
Sector Selection	20%
Investment Parameters	
Currency	Non-U.S. denominated holdings are generally hedged to USD
Investment Grade Corporates	Max 20%

1

Seeking to Exploit Market Inefficiency

Seeks to capitalize on price inefficiencies that create attractive relative value opportunities across issuers due to size, industry, credit quality, and capital structure

2

Research Driven

Independent, fundamental, bottom-up credit selection process combined with forward looking research to identify potential for both income and capital gain

3

Flexible

Access to small, under-researched credit issuers while retaining ability to exit positions if investment thesis changes.

"The flexibility of our US high yield strategy means we invest in a concentrated way across industries and rating categories; large-, medium- and small-sized bond issues. Those bonds then have a real performance impact at the portfolio level."

Kevin Loome, CFA[1] – Portfolio Manager

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Why T. Rowe Price for US high yield?

'All weather' approach

Although our US High Yield Bond team joined T. Rowe Price in 2017, they have been applying their investment strategy to US high yield bond markets since 2007. Over time, the strategy's flexible approach has enabled the team to take significantly more defensive or aggressive stances than the benchmark, responding to the market environment.

Seasoned team

Our team of high yield investment professionals have an average of 20 years of industry experience. And in the US high yield market, this makes a difference. An opportunity set of around 1,000 issuers is challenging to cover, but that research challenge is what makes it potentially rewarding for those who gain an information advantage. Our analysts have been building their industry knowledge of their industries, and building contacts and management relationships for decades.

Integrated decision making

All team members are integrated into the portfolio construction process, with analysts acting almost like portfolio managers for their sectors. 'To align credit analysts' interests with those of our clients, annual bonuses and long-term incentives are largely based on the measurable value added by their recommendations in the portfolio.

ESG integration

Environmental, social and governance (ESG) considerations are an increasingly important part of our credit research. For example, our proprietary Responsible Investing Indicator Model (RIIM) presents environmental, social and governance information to analysts and portfolio managers in a convenient way so they can incorporate it into portfolio construction. The RIIM analysis flows into our credit models, and if issues are flagged our credit analysts will work with their industry counterparts in the Responsible Investing team to investigate further. The responsible investing model analysis also forms the basis of the quarterly portfolio review by the investment team and the head of the Responsible Investing team.

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. Currency risk - changes in currency exchange rates could reduce investment gains or increase investment losses. **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. **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.

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 portfolio and the currency in which you subscribed, if different. **Counterparty risk** - an entity with which the portfolio transacts may not meet its obligations to the portfolio. **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 portfolio 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 portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended. **Investment fund risk** - investing in portfolios 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 portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably). **Market risk** - may subject the fund to experience losses caused by unexpected changes in a wide variety of factors. **Operational risk** - operational failures could lead to disruptions of portfolio operations or financial losses.

Additional Information

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The risk indicator shown is applicable to the I class. Where the fund has no I class, the risk indicator for the Q class is shown. Please refer to the applicable KIID for the current published risk and reward profile.

T. Rowe Price at a glance[1]

- Founded in 1937
- US$ 1.3 trillion AUM
- Offices in 17 markets, research analysts in 9 different locations
- Clients in 52 countries

T. Rowe Price US High Yield Bond Strategy	
Portfolio Manager	Kevin Loome, CFA
Strategy inception date	April 2013
Strategy AUM	US$2.2 billion

T. Rowe Price Funds SICAV – US High Yield Bond Fund (actively managed)	
Fund size	US$187.6 million
Launch date	April 2018
Comparator benchmark[2]	ICE BofA US High Yield Constrained Index
Base currency	USD
ISIN (Class I)[3]	LU1697877279
Ongoing charges (Class I)[4]	0.63% per annum

[1] All figures as at 30 June 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.