



Global Asset Allocation Viewpoints

October 2021

1 Market Perspective

As of 30 September 2021



- Global economic growth outlook remains favorable, albeit past peak levels, balanced by further progress toward global emergence from COVID-19 shutdowns versus fading policy support and supply chain disruptions.
- Global monetary policy is expected to continue path toward tightening, but central banks on different trajectories, with some, particularly in EM, having already acted in response to higher inflation while others continue to keep policy on hold awaiting stronger evidence of sustained growth.
- Long-term interest rates could trend higher amid outlook for above trend growth and inflation, but upside may be limited as growth and imbalances driving inflation moderate.
- Key risks to global markets include elevated inflation, central bank missteps, slowing China growth, supply chain disruption, increased regulatory pressures, higher taxes, and increasing geopolitical concerns.

2 Portfolio Positioning

As of 30 September 2021



- We remain modestly underweight equities relative to bonds and cash as valuations look less compelling amid moderating growth and stimulus. Higher rates, rising input costs related to supply chain bottlenecks, and potential tax increases could pose challenges to near-term earnings outlook.
- Within equities, we continue to favor value-oriented equities globally, U.S. small-caps, and emerging market stocks as we expect cyclically exposed companies to benefit from a supportive global growth profile, coupled with unleashed pent-up demand and inventory rebuilding as supply bottlenecks and COVID concerns abate.
- Within fixed income, we continue to favor shorter duration and higher yielding sectors through overweights to high yield bonds and floating rate loans given our constructive credit outlook.

3 Market Themes

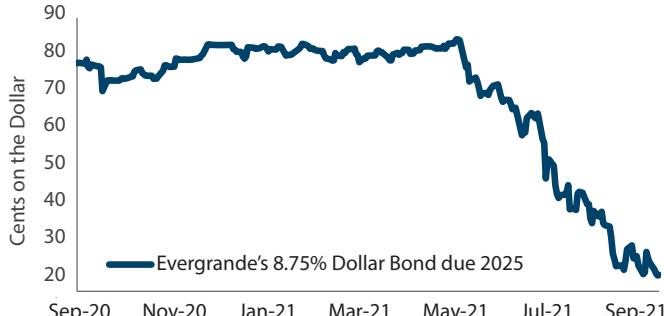
As of 30 September 2021

More Predictably, Unpredictable

After a crackdown on internet technology and educational companies last month, risks continue to emerge out of China including the potential fallout in its massive real estate sector following missed debt payments by Evergrande—one of the nation's largest property developers. The focused suite of regulatory actions out of Beijing are driven by efforts to balance wealth inequality and have had far sweeping impacts on sectors such as technology, education, real estate, and healthcare. At the same time, authorities have started to more aggressively pursue its 5-year plan to reduce carbon emissions by limiting coal supply, resulting in power outages, and shuttering factory activity leading to supply shortages. The degree of recent actions taken by the Chinese government combined with declining growth estimates is causing investors angst. Although unlikely to allow economic growth to fall significantly, China's actions may force foreign investors and trading partners to reassess the risks of investing in a place that has become more predictably, unpredictable.

Evergrande's Debt Collapse¹

As of 30 September 2021



Past performance is not a reliable indicator of future performance.

¹Figures are shown in USD.

²Inflation is measured by Consumer Price Index.

The specific securities identified and described are for informational purposes only and do not represent recommendations.

Source: Bloomberg Finance L.P.

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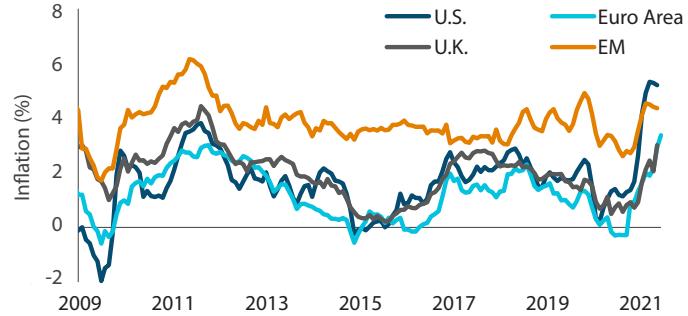
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Actions Speak Louder than Words

Inflation is proving to be a bit more persistent and higher than many expected, putting pressure on some central banks around the globe to act. Several emerging market central banks, such as Brazil and Mexico, began raising rates over the summer to fend off higher prices and now, some developed market central banks are similarly looking to act. The Bank of England has signaled higher rates are coming soon as inflation is expected to get close to 4%, double their target. And while the Federal Reserve is planning on tapering asset purchases, it remains committed to its current rate policy, reiterating that elevated inflation levels will be "transitory". The ECB similarly warned of not overreacting to current inflation levels, keeping current policy in place. Although most central banks believe inflation will prove temporary, prices could remain elevated for an extended period—perhaps too long for them to hold onto their words and not take action.

Global Inflation on the Rise^{1,2}

As of 31 August 2021



4 Regional Backdrop

As of 30 September 2021



Positives

United States

- Healthy consumer balance sheets and high savings rate
- Exceptionally strong earnings growth
- Infrastructure spending likely to increase
- Delta variant spread appears to have peaked

Negatives

- Elevated stock and bond valuations
- Elevated corporate and government debt levels
- Fed accommodation has peaked
- Fiscal stimulus has peaked
- Corporate taxes likely to rise

Europe

- Higher exposure to more cyclically oriented sectors that should benefit from economic recovery
- Monetary policy remains accommodative
- Fiscal stimulus likely to increase
- Equity valuations remain attractive relative to the US

- Limited long-term catalysts for growth
- Limited scope for ECB to stimulate further
- Demand from China fading
- Microchip shortage impacting auto production rebound

Developed Asia/Pacific

- Cyclical orientation should benefit from economic rebound
- Strong fiscal and monetary support
- Improving corporate governance
- Vaccination rates have improved significantly
- Improving political outlook

- Weak economic growth going into crisis, driven by long term demographic headwind
- Demand from China fading
- Limited long-term catalysts for growth

Emerging Markets

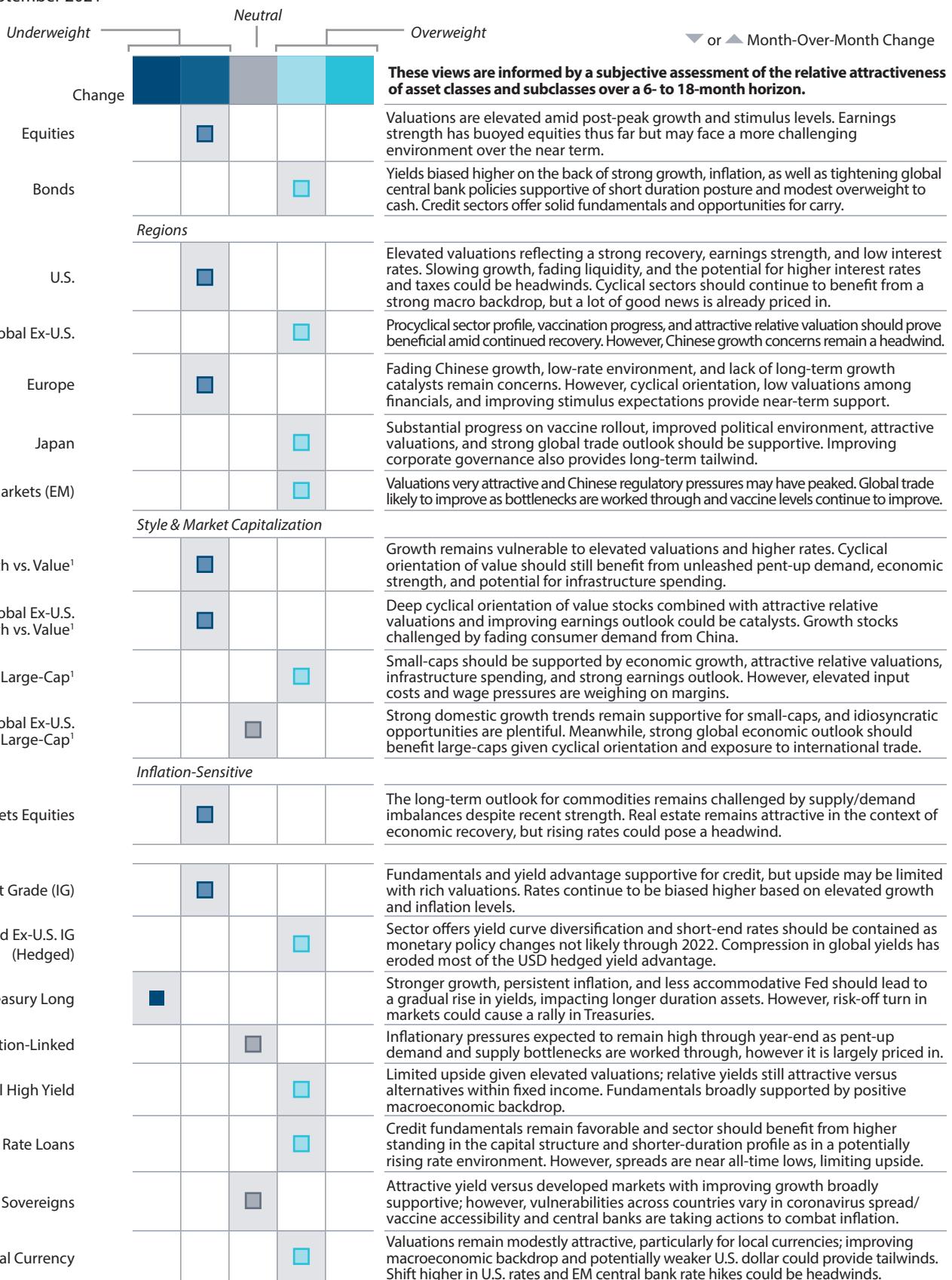
- Equity valuations attractive relative to developed markets
- Exposure to cyclical areas of economy should benefit from broad global recovery
- Chinese regulatory actions likely to have peaked
- Vaccination rates are improving

- Stimulus from China is fading
- Accommodation from central banks is fading
- New coronavirus variants remain a threat

5 Asset Allocation Committee Positioning

As of 30 September 2021

ASSET CLASS



¹For pairwise decisions in style & market capitalization, positioning within boxes represent positioning in the first mentioned asset class relative to the second asset class.

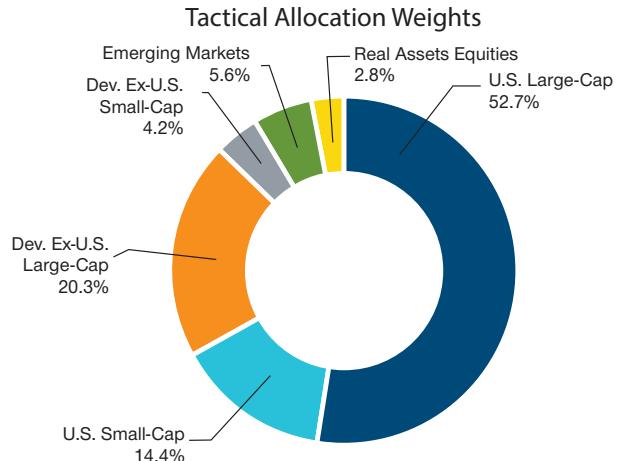
The asset classes across the equity and fixed income markets shown are represented in our Multi-Asset portfolios. Certain style & market capitalization asset classes are represented as pairwise decisions as part of our tactical asset allocation framework. For a representation of how the overweight and underweight tactical decisions are implemented across our Target Allocation franchise, please see page 4.

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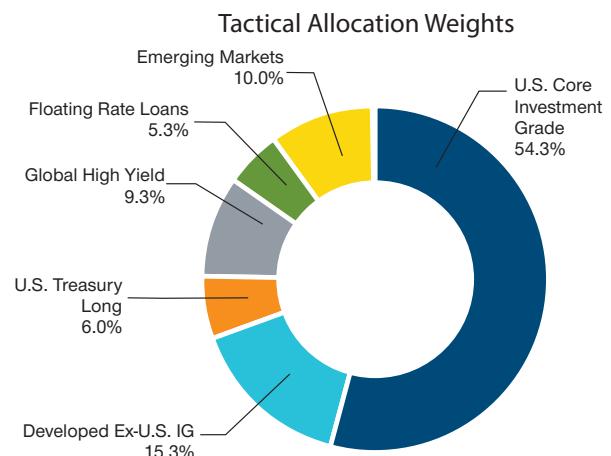
6 Portfolio Implementation

As of 30 September 2021

Equity	Neutral Weight	Tactical Weight	Relative Weight
U.S. Large-Cap	52.5%	52.7%	+0.2%
U.S. Small-Cap ¹	13.5	14.4	+0.9
Dev. Ex-U.S. Large-Cap	21.0	20.3	-0.7
Dev. Ex-U.S. Small-Cap	4.0	4.2	+0.2
Emerging Markets	4.0	5.6	+1.6
Real Assets Equities	5.0	2.8	-2.3
Total Equity:	100.0%	100.0%	



Fixed Income	Neutral Weight	Tactical Weight	Relative Weight
U.S. Core Investment Grade	55.0%	54.3%	-0.8%
Developed Ex-U.S. IG (Hedged)	15.0	15.3	+0.3
U.S. Treasury Long	10.0	6.0	-4.0
Global High Yield	8.0	9.3	+1.3
Floating Rate Loans	2.0	5.3	+3.3
Emerging Markets - (Local/Hard Currency)	10.0	10.0	0.0
Total Fixed Income:	100.0%	100.0%	



¹U.S. small-cap includes both small- and mid-cap allocations.

Source: T. Rowe Price. Unless otherwise stated, all market data are sourced from FactSet. Copyright 2021 FactSet. All Rights Reserved.

These are subject to change without further notice. Figures may not total due to rounding.

Neutral equity portfolio weights representative of a U.S.-biased portfolio with a 70% U.S. and 30% international allocation; includes allocation to real assets equities. Core fixed income allocation representative of U.S.-biased portfolio with 55% allocation to U.S. investment grade.

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