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Meet Peter Bates

Portfolio Manager, Global Select Equity Strategy

November 2021

Peter earned a B.B.A., magna cum laude, in business from Southern Methodist University and an M.B.A. in finance from the Wharton School, University of Pennsylvania.

20 years
Investment Experience

17 years
With T. Rowe Price

Baltimore
Office Location

2020–Present
Portfolio Manager, Global Select Equity Strategy

2013–2020
Portfolio Manager, Global Industrials Equity Strategy

2004–2013
Joined T. Rowe Price and worked as a research analyst covering environmental services, railroads, agricultural equipment, and other industrial companies.

Peter Bates honed his expertise in the industrials sector over more than 17 years as an investment analyst and portfolio manager at T. Rowe Price. This was an ideal setup for his role as portfolio manager of the new T. Rowe Price Global Select Equity Strategy. He brings a global perspective, an analyst's discipline of research, and a deep understanding of the business economics and operational strengths that make companies successful. Today, he applies his passion and experience to selecting what he believes are among the most compelling investment opportunities around the world.

Tell us about your background and what informed your decision to pursue a career in asset management.

When I entered the Wharton School M.B.A. program at the University of Pennsylvania and began evaluating my career, I knew I wanted to pursue investing because it is solutions-oriented.

For my first eight years at T. Rowe Price, I was an analyst covering industrials. I had the tremendous luck to work with and learn from David Giroux, who covered industrials before me and has successfully managed a U.S. capital appreciation strategy for over a decade. David taught me to "know your businesses" and always focus on risk and return. Given globalization trends 20 years ago with the emergence of China, I did a lot of traveling to Europe, Japan, China, and Brazil to seek out promising industrials investments. This experience gave me a deep understanding of global markets and the nuances of regional investing. I also spent a lot of time with our research teams across the globe, built deep relationships across this network, and gained a thorough understanding of the effectiveness of our global research platform.

> Our portfolio construction is stock-specific, idiosyncratic, and mindful of factor risks.

I became head of the global industrials sector team in 2012 and managed the sector portfolio for about eight years. I learned the difference between research and portfolio positioning. Being a global sector manager meant mentoring my analyst team in new ways and collaborating with diversified portfolio managers to help them navigate risks and opportunities in my sector.

How did you determine your area of specialization, and what makes your experience well suited to pursue the core objectives of the strategy?

Risk and return assessments are critical for successful investing in cyclicals, as many industrials are. If a security only has 20% potential upside, odds are the risk/return profile is not very good, as most cyclical stocks inherently have 50% downside. That framework has helped me manage cyclicals for the Global Select Equity Strategy. When I invest in these kinds of companies, I seek opportunities where I believe the risk/reward profile skews more heavily in our favor. But I have a portfolio that may look different from many in my peer group. Currently, I own a lot of durable growth assets because those investments have an appealing long-term risk/reward profile, in my view. Many people ask the question, "What's your return?" I choose to focus on generating attractive risk-adjusted returns because I believe that over time you could see more consistent overall performance—and hopefully do better when markets are weak or choppy.

Discuss your approach and how you aim to generate value on behalf of clients. Explain how you'll tap T. Rowe Price's research platform and other resources to pursue results.

One of the best things about coming from industrials is my experience with the global T. Rowe Price research team and the time I have spent in our regional offices. Our analyst platform is a powerful resource, and I know its capabilities well. In my opinion, the value that colleagues bring in sharing differentiated views on companies is unrivaled. Each investment decision I make typically is based on 30 to 40 inputs from our global associates.

The value of teamwork cannot be overstated. I played basketball at Southern Methodist University and learned the value of cohesive teamwork. Also, in sports, if one thing doesn't work, you figure out something else. These principles of disciplined and consistent effort underpin my investing approach today: Every day I work to get a little better.

How does this product compare and contrast with others in market?

The Global Select Equity Strategy allows me to pursue a vast opportunity set to build a concentrated portfolio based on my highest-conviction ideas. Many investors assume that concentration creates risk. But size alone doesn't create risk. Rather, a portfolio's holding attributes can create risk. We've seen that with some factor-based portfolios. We apply a multidimensional risk management lens to the strategy and seek to deliver a portfolio that has a majority of stock-specific risk and a high active share, at a target of about 90%. We believe our high-conviction portfolio can offer balanced exposure across styles and market capitalizations and diversification of risk without sacrificing returns over the long term.

We employ a valuation framework and our knowledge of fundamentals as well as environmental, social, and governance (ESG) factors to help manage stock-specific risk and assess high-conviction ideas on a portfolio level to manage position size. We also integrate quantitative risk monitoring and conduct regular reviews to identify risk hot spots and ensure alignment to portfolio goals.

This holistic view is important because as investors, we see a lot of factor exposure in the market. Our portfolio construction is stock-specific, idiosyncratic, and mindful of factor risks. While we need to be aware of how macroeconomic conditions and variables impact the companies in which we invest, we invest in businesses, not the direction of macro variables. We focus on a company's ability to execute and improve.

Our ESG approach is differentiated, in my view. We believe that ESG can create disruption because sustainability optimizes innovation and influences the impact that companies are making around the world. We have dedicated ESG specialists in our Responsible Investing and Governance teams who collaborate closely with our investment professionals and use proprietary evaluation tools to identify and analyze the impact of ESG factors on all our investments.

Although bouts of volatility are likely as we work our way through the pandemic, we think it is important to keep a long-term perspective.

Our ESG research helps me to layer in considerations that don't jump out of financial statements, like supply chain risk, environmental regulatory risk, governance factors, and competitive advantages borne from successful diversity and inclusion strategies. Most companies we invest in are proven, blue chip-style businesses that have exhibited steady growth—established businesses with revenue and earnings that we can evaluate over multiple cycles. We also seek to add alpha in both cyclically depressed and disruptive names that are either actively moving toward or already on the right side of change.

Describe how the portfolio is positioned as well as your outlook.

The market is beginning to shift its focus to companies that can durably grow in 2022 and 2023, as we move closer to a post-pandemic world. We are assessing how the economy and businesses react to a normalizing environment as global stimulus and many of the pandemic-driven market imbalances and excesses begin to fade.

We seek to leverage our research advantage to focus on high-quality, world-leading companies that possess strong pricing power and differentiated service capabilities or products. Although bouts of volatility are likely as we work our way through the pandemic, we think it is important to keep a long-term perspective. We continue to have a high level of conviction in our portfolio holdings and believe our robust research platform, fundamentals-driven investment process, and multidimensional view on risk management is well suited to navigate uncertainty.

Share with us your personal interests and how they might (or might not) intersect with your professional work.

My wife and I are deeply involved in helping our community through a charitable organization that serves the homeless who have addiction issues. This is a widespread issue, and the Helping Up Mission works tirelessly to house and support addicts recovering through treatment programs. Historically, there was no place for women addicts. But Helping Up recently completed a multiyear project to establish facilities to help women and their children. The opening of these facilities is a tremendous step forward.

I'm very proud of my three kids. Maybe they don't help my clients, but T. Rowe Price strongly emphasizes a healthy work/life balance, and for me, it's made all the difference in the world.

I'm about to be an empty nester, so I'm very excited to be able to travel and take my wife with me for once. It's always been tough when I travel, leaving my wife to take care of the kids. But now she can come. It'll be fun when we can go to Hong Kong or London—together.

Risks—the following risks are materially relevant to the portfolio:

Currency Risk—changes in currency exchange rates could reduce investment gains or increase investment losses.

Emerging Markets Risk—emerging markets are less established than developed markets and therefore involve higher risks.

Issuer Concentration Risk—to the extent that a portfolio 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.

Sector Concentration Risk—the performance of a portfolio that invests a large portion of its assets in a particular economic sector (or, for bond portfolios, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

Small and Mid-Cap Risk—stocks of small and mid-size companies can be more volatile than stocks of larger companies.

General Portfolio 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 portfolio and the currency in which you subscribed, if different.

Equity Risk—in general, equities involve higher risks than bonds or money market instruments.

ESG and Sustainability Risk—May result in a material negative impact on the value of an investment and performance of the portfolio.

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 Portfolio 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).

Operational Risk—operational failures could lead to disruptions of portfolio operations or financial losses.

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