T. ROWE PRICE STRATEGY FOCUS
ON EUROPEAN SELECT EQUITY

November 2021

STRATEGY SUMMARY

- T. Rowe Price's European Select Equity Strategy is a high-conviction concentrated portfolio that leverages our strong research team and other resources in order to exploit select opportunities in companies primarily listed in Europe. The strategy seeks long-term capital growth through investment in a high-conviction portfolio of higher quality European companies.
- The strategy is all cap, concentrated, style agnostic, and unconstrained by the benchmark index. It avoids poorly positioned businesses, low-quality, and junk stocks. Active share of the portfolio has been in the range of 85% to 90% since inception. Sector and industry allocation are driven by stock selection.
- The strategy also integrates environmental, social, and governance (ESG) considerations and applies a proprietary socially responsible screening model that helps the manager focus on quality and sustainability.
- Securities are chosen through bottom-up research that aims to identify companies that we believe will be the potential long-term winners in Europe's large, complex economy. To achieve this, we leverage T. Rowe Price's team of experienced European analysts, the global research platform, and an advisory committee that includes three other portfolio managers.
- We believe that proprietary, fundamental research is the key driver of value-added active management. To that end, we have one of the industry's strongest commitments to in-house research.
- Our approach is underpinned by a culture of collaboration, which emphasizes the integration of fundamental research and communication across asset classes and regions. Sharing of analysis and joint on-site research trips allow for a more comprehensive investment view in less transparent markets and improve access to corporate management teams.

Tobias Mueller
Portfolio Manager,
European Select Equity Strategy

FEATURES

The European Opportunity

Europe is home to many world-class innovative companies that benefit from and contribute to growth across many industries, and these companies are more often tied to countries outside of Europe than within.

- **Complex market demands active management:** The diverse nature of the broad European market can create complexities that less well-resourced investors may struggle to navigate. In our view, this "messy complexity" reinforces the need for an active investment management approach backed by robust research resources that can explore and analyze these markets.
- **ESG leadership is an opportunity:** In addition, as a pioneer in ESG and sustainability efforts, which are only now becoming more salient in the U.S., we believe Europe is well placed to grow the next generation of large companies in the years ahead.

Investment Philosophy

(1) Higher-quality companies can outperform over the longer term

The portfolio manager believes that the market systematically underappreciates the potential for higher-quality companies to outperform over the medium to longer term. This can be especially pronounced when company and industry dynamics are likely to result in a greater durability of performance—in terms of future growth and returns—than the market expects.

Investment Process Overview

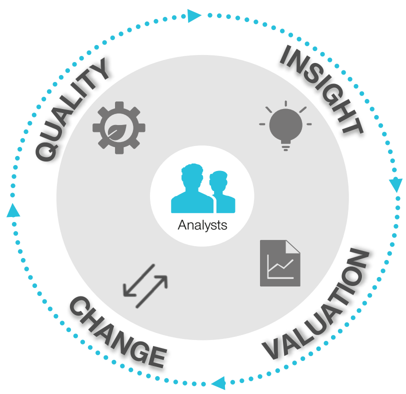
A systematized process helps the analyst team identify the best ideas for a concentrated portfolio

A BROAD OPPORTUNITY SET

- Europe
- All-cap (>USD 1 billion)
- Benchmark-agnostic
- Refining to an investible universe based on input from analysts, responsible investing, Quant teams

IDENTIFY BEST IDEAS

- A systemized process helps to identify the best ideas, make relative trade-off decisions, and self-reinforce the process itself
- Deep and experienced analyst team is pivotal in analyzing what matters



PORTFOLIO CONSTRUCTION

Position size as a function of:

- Conviction score
- Risk considerations

Clear sell discipline:

- Better ideas
- Absence of edge (thesis played out)
- Thesis creep or broken thesis
- Extreme valuation

>1,200 companies → **300–400 companies investible universe** → **100+ companies watch list** → **Typically 25–45 stocks in portfolio**

(2) Research for a high-conviction, unconstrained portfolio

We believe our fundamental research resources can better identify these situations on "the right side of change." Furthermore, in our view, our ability to possess differentiated insights about the key determinants of future performance is also an informational advantage that we can exploit. When our process identifies those companies that fall within these parameters offering an attractive risk/reward profile, then we invest with confidence in them in a high conviction, unconstrained portfolio.

Portfolio Management and Construction

The European Select Equity Strategy is led by London-based Portfolio Manager Tobias Mueller, who has ultimate responsibility for investment decisions. He has managed the strategy since its inception in September 2019. In addition, Mr. Mueller assumed responsibility for our more diversified European offer, the Europe Equity Strategy, and for our Europe ex-UK Equity Strategy in October 2020.

When constructing the portfolio, the primary focus is on the idiosyncratic fundamental factors of each holding. Position sizes are determined by our level of conviction, valuation, and the security's risk profile. The number of holdings typically ranges from 25 to 45, a range we believe is appropriate for our performance objectives.

Idea Generation and Fundamental Research

Our dedicated European equity analysts, backed by our global research team, undertake fundamental, bottom-up research analysis, which integrates ESG considerations. Our aim is to discover higher-quality companies that we believe are on the "right side of change" or that we think will benefit from idiosyncratic change, and where we have an insight on key long-term drivers for the stock. We follow this approach across the market cycle and across style and market-cap boundaries.

ESG Integration

The strategy has been repurposed to Article 8 of the European Union's Sustainable Finance Disclosure Regulation. ESG integration is a key component of the strategy's investment process, helping inform us about the quality of a company and identify material risks to the sustainability of its long-term growth potential. This means incorporating environmental, social, and governance factors to help enhance investment decisions.

The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate ESG factors into company valuations and ratings, and second, with the portfolio manager as he considers these ESG factor exposures at the portfolio level. Both the analysts and the portfolio manager can leverage dedicated, in-house resources to assist in analyzing ESG criteria. In-house ESG specialists provide quantitative tools, research, and subject matter expertise to support them.

Disciplined Approach to Risk

Investing internationally involves risks, including economic and political uncertainty and currency fluctuations. Risk management is integral to the active management of our strategy. A significant part of our effort is dedicated to understanding the underlying financial and nonfinancial risk factors of each active investment position as well as the overall level of risk borne by our portfolios. T. Rowe Price does not believe that an investment strategy can be successful if risk is viewed as something distinct from the rest of portfolio management. Accordingly, we incorporate risk management throughout every step of our investment process.

OBJECTIVES AND RISKS

OBJECTIVE—The strategy seeks long-term capital growth through investment in a high-conviction portfolio of higher-quality European companies.

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.

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.

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

Style Risk—Different investment styles typically go in and out of favor, depending on market conditions and investor sentiment.

Volatility Risk—The performance of the portfolio has a risk of high volatility.

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.

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 fund'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 fund operations or financial losses.

INVEST WITH CONFIDENCE℠

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

T. Rowe Price®

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