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T. Rowe Price Dynamic Global Bond Strategy

3rd QUARTER 2019 REVIEW

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ABOUT OUR DYNAMIC GLOBAL BOND APPROACH

T. Rowe Price has been managing global bond portfolios for more than 30 years, launching one of the first dedicated multi-currency bond strategies back in 1986. Today, T. Rowe Price is responsible for managing a diverse range of global fixed income strategies and mandates, including pure global government, global aggregate, global multi-sector as well as dynamic global bond portfolios.

Our Dynamic Global Bond approach was first offered in February 2014 to Australian investors. We currently manage 11 different Dynamic Global Bond portfolios with different investment constraints and specific risk/return profiles, representing over US$11 billion[1] as of 30 September 2019 in assets under management.

Our Dynamic Global Bond approach is based on the following principles:

- **Aim to generate regular performance** in different interest rate environments
- **Provide traditional fixed income qualities** such as income, liquidity and diversification versus equity risk
- **Identify the best risk/reward opportunities** across sovereign, credit and currency markets
- **Focus on downside risk** and risk diversification with a specific bias for country allocation and duration management
- **Adapt quickly** to changes in market conditions

[1] Includes a US registered mutual fund, a sub-fund of a Luxembourg domiciled SICAV, a sub-fund of a UK domiciled OEIC, a common trust fund, a sub-advised account and separate accounts. The dynamic global bond combined assets under management include assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.

PERFORMANCE TABLE

As of 30 September 2019
Figures are Calculated in U.S. Dollars

	Cumulative		Annualized	
	Last 3 Months	Last 12 Months	Last 3 Years	Since Inception 31 Jan 2015
Dynamic Global Bond (USD Hedged) Composite (Gross of Fees)	-2.24%	-0.22%	-0.07%	1.90%
Dynamic Global Bond (USD Hedged) Composite (Net of Fees)	-2.34%	-0.60%	-0.45%	1.51%
Three Month LIBOR in USD	0.56%	2.54%	1.91%	1.39%
Value Added (Gross of Fees)	**-2.80%**	**-2.76%**	**-1.98%**	**0.51%**

Past performance is not a reliable indicator of future performance.

The Value Added row is shown as Dynamic Global Bond (USD Hedged) Composite performance (Gross of Fees) minus the benchmark in the previous row.

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the fee schedule contained within this material, without the benefit of breakpoints. Gross and net performance returns reflect the reinvestment of dividends and are net of all non-reclaimable withholding taxes on dividends, interest income, and capital gains.

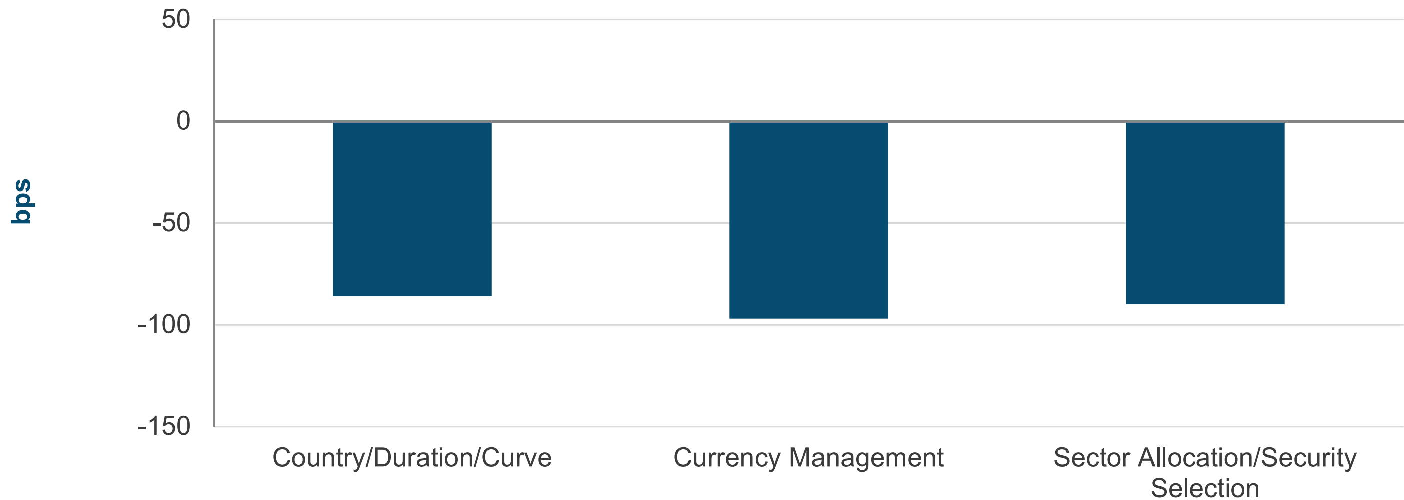
PERFORMANCE ATTRIBUTION—THIRD QUARTER 2019

The Dynamic Global Bond (USD Hedged) Composite delivered negative returns over the quarter. Losses coming from our defensive positioning and idiosyncratic risk explain most of the underperformance.

Contribution to Excess Return—Last Three Months

Figures are Calculated in U.S. Dollars

Dynamic Global Bond (USD Hedged) Representative Portfolio*



Country/Duration/Curve: Negative Impact

Country and duration positioning detracted from returns, with losses on underweight duration positions expressed in Italy, France and Poland. Meanwhile, allocation to the local debt of Thailand, Chile, and Israel added to returns, while a small allocation to U.S. inflation-linked bonds detracted from performance.

Currency Management: Negative Impact

Currency positioning detracted from returns during the quarter as the U.S dollar regained strength against all major currencies. As a result, our long positioning in high-quality currencies such as the Swiss franc, the euro, and the Japanese yen impacted performance. Within emerging markets, a short position in the South Korean won added to returns, as did a long position in the Egyptian pound. Losses came from long positions in the Brazil real and the Argentine peso which came under pressure after the surprise election result fuelled concerns that key reforms may be reversed.

Sector Allocation/Security Selection: Negative Impact

Within hard currency emerging markets, a small position in Argentina’s dollar-denominated debt led to a sizable loss following a surprise outcome in primary elections. The short credit positioning expressed within U.S. high yield and U.S. investment grade had a negative impact on performance in the early part of the quarter. Meanwhile, the put options on U.S. equity indices also detracted from returns as equity markets lacked direction. Security selection within short-dated investment-grade securities and in specific high yield issuers added modestly to performance.

Past performance is not a reliable indicator of future performance.

Figures shown as basis points.

Performance statistics are based on gross returns of the representative portfolio versus the 3 Month LIBOR in USD.

Analysis represents the combined performance of the underlying securities held within the given time period relative to its respective broad weighted benchmark as calculated by T. Rowe Price’s proprietary attribution model. Performance for each security is obtained in the currency in which it is issued and, if necessary, is converted using an exchange rate determined by an independent third party. Overall total returns are gross of fees. Returns would be lower as a result of the deduction of such fees.

* 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. Please see the GIPS® disclosure page for additional information on the composite.

MARKET OUTLOOK AND POSITIONING

Markets returned to a “risk on” pattern in September with both credit and equity markets delivering positive returns despite weaker economic data and renewed geopolitical risk. At the same time, the rally in global government bonds came to a sudden stop as market participants were happy to look through the current economic weakness to position themselves for a better macro environment in 2020. In our view, data is close to bottoming and we may start to see some improvement over the medium term. Looser financial conditions should be supportive of growth, as should China pursuing a more easy fiscal policy. Against this backdrop, we began to rethink our duration positioning and whether some of the asset classes that have underperformed year-to-date, such as U.S. inflation-linked, have now started to offer value.

Modest levels of corporate bond issuance have created a strong momentum for credit assets of late. To benefit from this trend, we added a select number of new long positions in corporate issuers where our analysts have the highest conviction. Furthermore, we reduced the amount of short credit positions in the portfolio. As a result, the credit sensitivity of the portfolio moved from a negative stance to a more neutral position.

In the currency market, the U.S. dollar continued to trade stronger over the quarter. We have maintained our bias to be long “safe-haven” type currencies like the Swiss Franc and the Japanese yen in order to be able to deliver our diversification objective against risky markets. At the same time, we increased our exposure to higher yielding emerging market currencies on the recognition that market conditions should become more supportive for global growth going forward.

Volatility, meanwhile, remained elevated in September despite risk appetite returning. We maintained our bias for option strategies in currencies like the Swiss franc and the UK sterling in order to benefit from potential large market dislocations.

Our positioning as at the end of September is as follows:

- The portfolio’s overall duration level was reduced to zero during the month. This was done through extending the short U.S. duration position at the short end of the curve and implementing a new short-duration position in Germany.
- The allocation to US inflation linked bonds was increased to 10% during the month with the majority of the position expressed in short maturity bonds.
- Within the eurozone, the short position in Italy was closed as the political environment improved.
- Allocations to high-quality countries such as Thailand, South Korea, Malaysia, Israel, and China were maintained, while long positions in Canada and Chile were trimmed after strong performance. The position in 30-year Japanese government bonds was also retained.
- Within higher-carry emerging market countries, we increased exposure to local Brazil bonds and maintained allocations to local currency government bonds of Mexico, Serbia, South Africa, and Indonesia. In other moves, we further reduced our allocation toward Romania. To help offset some of the risk associated with our “return-seeking” positions in emerging markets, we continued to express short-duration positions in Poland and the Czech Republic.
- In the currency sphere, we increased our short position in the U.S. dollar during the month. This was done primarily by adding new positions in specific emerging market currencies, such as the Brazilian real, the Chilean peso, and the Mexican peso. This complemented existing long positions in the Egyptian pound, the Indian rupee, the Serbian dinar, and the Romanian leu.
- A small long position in the Argentine peso was maintained.
- Within high-quality currencies, we kept long positions in the Swiss Franc and the Japanese yen which are used as insurance policy against a risk-off scenario.
- Lastly, the short position in the South Korean won was trimmed as tariff tensions between the U.S. and China appeared to have receded.
- The biggest change during the month in terms of portfolio construction came from our sector allocation as we decided to increase the duration times spread (DTS) from a negative position to a neutral position. This was implemented through the purchase of short-dated corporate bonds and the reduction of the short position expressed in U.S. high yield via derivative instruments. As a result, the portfolio is more balanced from a credit risk standpoint with the majority of the defensive hedging implemented via short investment-grade credit risk only.
- The put option on the Nasdaq was retained.

The information is provided as an example and is for informational purposes only. This is not intended to be investment advice or a recommendation to take any particular investment action. The specific securities/sectors/markets identified and described above do not necessarily represent all securities/sectors/markets that were purchased sold or recommended for clients in the composite and no assumptions should be made that the securities/sectors/markets identified and discussed were or will be profitable. The information are shown for illustrative purposes only.

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

China Interbank Bond Market risk – market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China InterbankBond Market may result in prices of certain debt securities traded on such market fluctuating significantly.
Country risk (China) – all investments in China are subject to risks similar to those for other emerging markets investments. In addition, investments that are purchased or held in connection with a QFII licenceor the Stock Connect program may be subject to additional risks.
Country risk (Russia and Ukraine) – in these countries, risks associated with custody, counterparties and market volatility are higher than in developed countries.
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.
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.
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.
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.
Liquidity risk – any security could become hard to value or to sell at a desired time and price.
Prepayment and extension risk – with mortgage and asset-backed securities, or any other securities whose market prices typically reflect the assumption that the securities will be paid off before maturity, any unexpected behaviour in interest rates could impact portfolio performance.
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.

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.
Counterparty risk – an entity with which the portfolio transacts may not meet its obligations to 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.

GIPS® DISCLOSURE

DYNAMIC GLOBAL BOND (USD HEDGED) COMPOSITE

Period Ended 30 September 2019
Figures Shown in U.S. dollar

	2015[2]	2016	2017	2018	2019 YTD
Gross Annual Returns (%)	5.23	5.07	-1.15	1.46	-1.56
Net Annual Returns (%)[1]	4.87	4.68	-1.53	1.08	-1.84
3 Month LIBOR in USD (%)	0.28	0.75	1.28	2.34	1.86
Composite 3-Yr St. Dev.	N/A	N/A	N/A	2.05	2.52
3 Month LIBOR in USD 3-Yr St. Dev.	0.01	0.07	0.12	0.20	0.18
Composite Dispersion	N/A	N/A	N/A	N/A	N/A
Comp. Assets (Millions)	63.3	612.7	4,438.0	8,376.8	8,035.8
# of Accts. in Comp.	2	2	4	5	4
Total Firm Assets (Billions)	772.4	817.2	1,000.2	972.7	1,136.5[3]

[1]Reflects deduction of highest applicable fee schedule without benefit of breakpoints. Investment return and principal value will vary. Past performance cannot guarantee future results. Monthly composite performance is available upon request. **See below for further information related to net of fee calculations.**
[2]31 January 2015 through 31 December 2015.
[3]Preliminary -subject to adjustment.

T. Rowe Price (TRP) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). TRP has been independently verified for the 22-year period ended June 30, 2018 by KPMG LLP. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

TRP is a U.S. investment management firm with various investment advisers registered with the U.S. Securities and Exchange Commission, the U.K. Financial Conduct Authority, and other regulatory bodies in various countries and holds itself out as such to potential clients for GIPS purposes. TRP further defines itself under GIPS as a discretionary investment manager providing services primarily to institutional clients with regard to various mandates, which include U.S., international, and global strategies but excluding the services of the Private Asset Management group. The minimum asset level for equity portfolios to be included in composites is $5 million and prior to January 2002 the minimum was $1 million. The minimum asset level for fixed income and asset allocation portfolios to be included in composites is $10 million; prior to October 2004 the minimum was $5 million; and prior to January 2002 the minimum was $1 million. Valuations are computed and performance reported in U.S. dollars.

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the fee schedule appropriate to you for this mandate, without the benefit of breakpoints. Gross and net performance returns are net of nonreclaimable withholding taxes on dividends, interest income, and capital gains. Effective June 30, 2013, portfolio valuation and assets under management are calculated based on the closing price of the security in its respective market. Previously portfolios holding international securities may have been adjusted for after-market events. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within a composite for the full year. Dispersion is not calculated for the composites in which there are five or fewer portfolios.

The strategy utilizes on a regular basis a variety of derivative instruments such as (but not limited to) currency forwards, fixed income futures, interest rate swaps, credit default swaps synthetic indices, and options on all mentioned instruments, primarily to hedge certain market risks associated with the strategy's objective, to express directional opportunities on specific markets and to facilitate liquidity management. Benchmarks are taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the composite.

Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow greater than or equal to 15% of portfolio assets. The temporary removal of such an account occurs at the beginning of the measurement period in which the significant cash flow occurs and the account re-enters the composite on the last day of the current month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

The firm's list of composite descriptions and/or a presentation that adheres to the GIPS® standards are available upon request.

Dynamic Global Bond (USD Hedged) Composite. The Dynamic Global Bond (USD Hedged) Composite seeks to deliver consistent fixed income returns through a flexible, dynamic and diversified allocation to debt instruments from around the world. The strategy adopts a holistic and rigorous approach to risk management to protect clients on the downside, and particularly seeks to provide adequate diversification at times of equity markets' correction. (Created January 2015)

FEE SCHEDULE

First $50 million 37.5 basis points
Next $50 million 32.5 basis points
Above $100 million 30 basis points on all assets[1]
Above $250 million 25 basis points on all assets[1]
[1]A transitional credit is applied to the fee schedule as assets approach or fall below the breakpoint.

Minimum separate account size 100 million USD.

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