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T. Rowe Price Dynamic Global Bond Strategy

JANUARY 2021 MONTHLY 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 9 different Dynamic Global Bond portfolios with different investment constraints and specific risk/return profiles, representing over US$9.6 billion[1] as of 31 December 2020 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 31 January 2021
Figures are Calculated in U.S. Dollars

	Cumulative				*Annualized*		
	Last Month	**Last 3 Months**	**Year To Date**	**Last 12 Months**	**Last 3 Years**	**Last 5 Years**	**Since Inception** 31 Jan 2015
Dynamic Global Bond (USD Hedged) Composite (Gross of Fees)	0.68%	3.25%	0.68%	12.82%	3.93%	3.13%	3.57%
Dynamic Global Bond (USD Hedged) Composite (Net of Fees)	0.65%	3.15%	0.65%	12.40%	3.54%	2.75%	3.18%
Three Month LIBOR in USD	0.02%	0.06%	0.02%	0.53%	1.74%	1.47%	1.28%
Value Added (Gross of Fees)	**0.66%**	**3.19%**	**0.66%**	**12.29%**	**2.19%**	**1.66%**	**2.29%**

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 – JANUARY 2021

The Dynamic Global Bond (USD Hedged) Composite generated positive returns in January despite a general rise in interest rates across most developed market countries.

Contribution to Excess Return-January 2021

Figures are Calculated in U.S. Dollars

Dynamic Global Bond (USD Hedged) Representative Portfolio*

	Duration/Country/Curve	Large Positive Impact
+	Short U.S. duration	The majority of gains in January came from our positioning in developed market countries with short duration stances expressed at the long end of curves in the U.S., Germany, and Canada all adding strongly. Our allocation to U.S. inflation linked bonds also helped performance as the Federal Reserve reiterated its willingness to let inflation rise on a temporary basis. Elsewhere, the impact from our active duration management within emerging market local bonds was more muted, with gains from long positions in Romania and Serbia offset by losses from long duration positions in Brazil, Russia, Indonesia, and India.
+	Long U.S. inflation-linked bonds	
+	Short Germany duration	
+	Long Romania duration	
+	Short Canada duration	
+	Short Poland duration	
+	Long Serbia duration	
-	Long Brazil duration	
-	Long Australia duration	
-	Long Russia duration	
-	Long Indonesia duration	
-	Long India duration	
	Currency	**Negative Impact**
+	Short Taiwanese dollar	The rebound in the U.S. dollar this month penalized our currency performance with losses coming from long positions in developed market currencies such as the Australian dollar, the euro, and the Japanese yen. Long exposures within emerging market currencies also had a negative impact particularly the Brazilian real, Russian ruble, and Mexican peso. Our short position in the Taiwanese dollar contributed positively, however.
-	Long Brazilian real	
-	Long Australian dollar	
-	Long Russian ruble	
-	Long euro	
-	Long Mexican peso	
-	Long Japanese yen (outright and options)	
	Sector Allocation	**Small Positive Impact**
+	U.S. high yield security selection	Strong demand in the primary market boosted prices in cash securities in both investment-grade and high yield during January, which resulted in a positive contribution from our security selection in individual U.S. high yield issues. Elsewhere, there was an underperformance of synthetic instruments, which led to a marginal negative impact as some of the portfolio's positive overall credit beta is expressed via long positions in U.S. and euro high yield credit derivative indices.
+	U.S. securitized bonds security selection	
-	Long U.S. high yield credit risk	
-	Long Euro high yield credit risk	

Past performance is not a reliable indicator of future performance.

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. "-/+" indicates whether the item detracted or added to performance for the period. 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

After the strong returns generated by fixed income toward the end of 2020, the market took a breather in January to reassess relative value opportunities and valuations more broadly across the different bond asset classes. As a result, a number of consensus trades showed signs of weakness with a small rise in interest rates, a strengthening of the U.S. dollar, and an underperformance of synthetic credit instruments against underlying cash bonds.

We do not see these corrections as a turning point but rather a healthy recalibration ahead of economic uncertainty. The delay in vaccine programs in Europe and the risk of virus mutation have the potential to delay and weaken the thesis for an economic recovery in the second half of 2021. Nonetheless, demand for fixed income remained high with strong bid to cover ratios on the majority of new corporate deals that were brought to the market.

In terms of positioning, we maintained most of our active positions during the month and modestly increased the liquidity profile of the portfolio in case we have to shift positions quickly. In parallel, we added to our U.S. dollar short bias during the month by instigating a new long position in the Australian dollar.

The portfolio has been positioned for a risk-on scenario for the past few months, which we offset partially via the implementation of specific U.S. equity out-of-the money put options. We put emphasis on our liquidity profile to have the ability to adapt quickly to changes in market conditions.

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

- Total portfolio duration remained in negative territory during the month. We have rotated some of the short position in Germany back to the U.S. where potential for rate rises at the long end of the curve is more significant.
- The 6% allocation to U.S. inflation-linked bonds alongside inflation-linked swaps has been maintained.
- We added a new long position in Italy following the underperformance of the local bond market.
- The long duration positions expressed in South Korea, Australia, and Hong Kong have been reduced, while the long duration position in China was increased further.
- We maintained long duration positions in Japan, Chile, Israel, Malaysia, Philippines, and Thailand, as well as short positions in Canada, Poland, and the Czech Republic.
- The allocation to local currency emerging market bond was stable with long positions expressed in Russia, South Africa, Brazil, Serbia, India, Indonesia, and Romania.
- In the currency sphere, the short position in the U.S. dollar was increased via a new long position in the Australian dollar. In parallel, we closed the majority of the long position in the euro and added to UK sterling and the Norwegian krone as a complement to existing long positions in the Czech koruna, the Swedish krona, the Romanian leu, and the Serbian dinar
- Long positions in the South African rand, the Brazilian real, and the Mexican peso were increased, while a new long position in the Chilean peso was implemented. The long positions in the Russian ruble, the Peruvian sol, the Indian rupee, and the Indonesian rupiah were maintained, as were short positions expressed in the Turkish lira and the Taiwanese dollar.
- Within sector allocation, the credit beta of the portfolio remained in modest positive territory. We took profit on specific credit bonds and added to long corporate credit derivative instruments for liquidity reasons. We continued, however, to maintain long positions in both cash and synthetic instruments overall with a preference for U.S. high yield.
- Put options structures on U.S. equities were adjusted during the month to act as potential diversifier in a scenario of severe equity market meltdown.

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

ABS/MBS risk – These securities may be subject to greater liquidity, credit, default and interest rate risk compared to other bonds. There are often exposed to extension and prepayment risk.

Contingent Convertible Bond risk – contingent convertible bonds have similar characteristics to convertible bonds with the main exception that their conversion is subject to predetermined conditions referred to as trigger events usually set to capital ratio and which vary from one issue to the other.

China Interbank Bond Market risk – market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond 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 licence or 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 31 December 2020
Figures Shown in U.S. dollar

	2015[2]	2016	2017	2018	2019	2020
Gross Annual Returns (%)	5.23	5.07	-1.15	1.46	0.24	10.29
Net Annual Returns (%)[1]	4.87	4.68	-1.53	1.08	-0.13	9.88
3 Month LIBOR in USD (%)	0.28	0.75	1.28	2.34	2.36	0.66
Composite 3-Yr St. Dev.	N/A	N/A	N/A	2.05	2.67	3.81
3 Month LIBOR in USD 3-Yr St. Dev.	0.01	0.07	0.12	0.20	0.16	0.26
Composite Dispersion	N/A	N/A	N/A	N/A	N/A	N/A
Comp. Assets (Millions)	63.3	612.7	4,438.0	8,376.8	8,273.9	7,615,2
# of Accts. in Comp.	2	2	4	5	4	3
Total Firm Assets (Billions)	772.4	817.2	1,000.2	972.7	1,218.2	1,482.5[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, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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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