



T. ROWE PRICE

## Emerging Markets Corporate Bond Strategy

As of 31 August 2020



**Portfolio Manager:**

Samy Muaddi, CFA

**Managed Strategy**

**Since:**

2015

**Joined Firm:**

2006

**INVESTMENT OBJECTIVE**

The Emerging Markets Corporate Bond Full-Authority Composite is comprised of portfolios seeking current income and capital appreciation primarily through investment in a broader universe of fixed income corporate debt securities and quasi-sovereign debt securities issued by companies located or having a business activity in emerging/developing countries. While largely focused on dollar-denominated corporate bonds, the composite has the ability to invest in local currency corporates as well as dollar-denominated sovereigns. The Full-Authority composite maintains broader discretion seeking to invest in the entire emerging markets corporate universe.

**PERFORMANCE**

	One Month	Three Months	Year-to-Date	One Year	Annualised		
					Three Years	Five Years	Since Manager Inception <sup>2</sup>
Emerging Markets Corporate Bond Full-Authority Composite (Gross of Fees – USD)	1.27%	7.25%	2.19%	5.05%	5.65%	7.35%	7.89%
J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified	0.90	6.08	3.08	6.02	5.02	6.14	6.50
Value Added (Gross of Fees) <sup>1</sup>	0.37	1.17	-0.89	-0.97	0.63	1.21	1.39

**Past performance is not a reliable indicator of future performance.**

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Gross performance returns reflect the reinvestment of dividends and are net of all non-reclaimable withholding taxes on dividends, interest income, and capital gains. Returns shown would be lower when reduced by the advisory fees and any other expenses incurred in the management of an investment advisory account.

<sup>1</sup> The Value Added row is shown as Emerging Markets Corporate Bond Full-Authority Composite (Gross of Fees) minus the benchmark in the previous row.

<sup>2</sup> Since Manager Inception is from 30 September 2015.

**MARKET COMMENTARY**

Emerging markets corporate debt generated positive returns in August, supported by positive corporate earnings reports, optimism surrounding vaccine development, and changes to the Federal Reserve's inflation targeting strategy that spurred risk-on sentiment. All sectors produced positive returns, led the pulp and paper, transportation, and metals and mining sectors. Both high yield and investment-grade corporates added to gains, though high yield issuers outperformed. New supply continued at a slower pace and was met with ample demand.

The U.S. reported economic data that showed continued recovery from an extreme contraction earlier this year. Employment data continued to improve, with a better-than-expected 1.76 million jobs added in July and a reduction in the unemployment rate, though unemployment remained high. Consumer confidence, however, slipped, adding uncertainty about the strength of the recovery. The FOMC announced it will move to flexible average inflation targeting, which would allow inflation to run above the 2% target to make up for past shortfalls. The policy adjustment reinforced investors' dovish expectations for a lengthy period of accommodative monetary policy as it signaled the committee's prioritization of employment growth over price stability. China reported increased growth in its manufacturing PMI and exports, while retail sales slipped. Tensions between the U.S. and China remained as the U.S. government tightened restrictions on companies doing business with Chinese tech company Huawei. U.S. and Chinese trade officials reported "constructive" talks on a phase-one trade deal after an earlier meeting was unexpectedly canceled. Several EM central banks cut rates, including Columbia, Mexico, and Brazil, with some central banks indicating further cuts could be on hold. Kazakh oil and gas producer Nostrum defaulted. Argentina and Ecuador came to agreements with creditors to restructure defaulted debts.

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**REP. PORTFOLIO TOP 10 ISSUERS**

	Industry	% of Rep. Portfolio
Banco de Bogota	Financial	1.49
Globo Comunicacao E Participacoes	TMT	1.41
Times China Holdings	Real Estate	1.36
Bangkok Bank PCL/Hong Kong	Financial	1.33
Teva Pharmaceutical Finance Netherlands III BV	Consumer	1.33
BBVA Bancomer SA/Texas	Financial	1.31
CIFI Holdings	Real Estate	1.26
AES Gener	Utilities	1.22
Shimao Group Holdings	Real Estate	1.21
ICTSI Treasury BV	Infrastructure	1.19

**PORTFOLIO CHARACTERISTICS**

	Rep. Portfolio	J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified
Weighted Average Coupon	5.47%	4.99%
Weighted Average Maturity	7.58 Years	8.12 Years
Weighted Average Effective Duration	5.45 Years	5.69 Years
Yield to Maturity	4.32%	4.44%
Average Credit Quality	BB	BBB-
Number of Holdings	206	1,663

**CREDIT QUALITY DIVERSIFICATION**

	U.S. Treas*	AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated	Reserves
Rep. Portfolio	0.3%	0.0%	0.0%	4.0%	26.6%	34.5%	18.8%	1.7%	0.0%	8.8%	5.2%
J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified	0.0	0.1	3.4	19.8	36.2	19.1	11.8	4.7	0.2	4.6	0.0
<b>Over/Underweight</b>	<b>0.3</b>	<b>-0.1</b>	<b>-3.4</b>	<b>-15.8</b>	<b>-9.6</b>	<b>15.4</b>	<b>7.1</b>	<b>-3.0</b>	<b>-0.2</b>	<b>4.2</b>	<b>5.2</b>

\*U.S. Treasury securities are issued by the U.S. Treasury and are backed by the full faith and credit of the U.S. government. The ratings of U.S. Treasury securities are derived from the ratings on the U.S. government.

**INDUSTRY DIVERSIFICATION**

	TMT	Utilities	Financial	Real Estate	Consumer	Industrial	Oil & Gas	Metals & Mining	Transport	Infrastructure	Other
Rep. Portfolio	18.3%	14.9%	14.0%	10.5%	9.0%	7.7%	5.5%	5.3%	4.6%	1.9%	3.0%
J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified	10.6	11.6	30.5	5.8	10.2	6.1	13.8	5.9	0.8	1.4	3.3
<b>Over/Underweight</b>	<b>7.7</b>	<b>3.3</b>	<b>-16.5</b>	<b>4.7</b>	<b>-1.2</b>	<b>1.6</b>	<b>-8.3</b>	<b>-0.6</b>	<b>3.8</b>	<b>0.5</b>	<b>-0.3</b>

**ADDITIONAL DISCLOSURES**

Source for J.P. Morgan data: J.P. Morgan. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2020, J.P. Morgan Chase & Co. All rights reserved.

T. Rowe Price uses a custom structure for diversification reporting on this product.

Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.

Sources for credit quality: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, T. Rowe Price will use Fitch for securities that are not rated by Moody's or S&P. T. Rowe Price does not evaluate these ratings, but simply assigns them to the appropriate credit quality category as determined by the rating agency. T. Rowe Price uses the rating of the underlying investment vehicle for credit default swaps.

"Other" includes any categories not explicitly mentioned.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

Unless indicated otherwise the source of all data is T. Rowe Price.

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.

**GIPS® DISCLOSURES****Emerging Markets Corporate Bond Full-Authority Composite**

Period Ended 31 December 2019

Figures Shown in U.S. Dollar

	2011 <sup>2</sup>	2012	2013	2014	2015	2016	2017	2018	2019
Gross Annual Returns (%)	-3.29	19.41	-0.41	4.36	0.56	12.40	10.20	-0.54	14.06
Net Annual Returns (%) <sup>1</sup>	-3.60	18.76	-0.96	3.79	0.00	11.79	9.60	-1.09	13.44
J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified (%)	-1.24	15.02	-0.60	4.96	1.30	9.65	7.96	-1.65	13.09
Composite 3-Yr St. Dev.	N/A	N/A	N/A	5.94	5.67	5.36	4.71	4.13	3.20
J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified 3-Yr St. Dev.	7.67	5.75	6.03	4.50	4.43	4.13	3.70	3.39	2.82
Composite Dispersion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Comp. Assets (Millions)	11.5	48.6	141.2	172.4	132.9	77.4	80.7	79.3	394.0
# of Accts. in Comp.	1	2	2	2	2	2	2	2	2
Total Firm Assets (Billions)	493.1	579.8	696.3	749.6	772.4	817.2	1,000.2	972.7	1,218.2 <sup>3</sup>

<sup>1</sup> Reflects deduction of highest applicable fee schedule without benefit of breakpoints. Investment return and principal value will vary. Past performance is not a reliable indicator of future performance. Monthly composite performance is available upon request. **See below for further information related to net of fee calculations.**

<sup>2</sup> May 31, 2011 through December 31, 2011.

<sup>3</sup> 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 23-year period ended June 30, 2019 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.

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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 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.

Some portfolios may trade futures, options, and other potentially high-risk derivatives which generally represent less than 10% of a portfolio.

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.

**FEE SCHEDULE**

The Emerging Markets Corporate Bond Full-Authority Composite is comprised of portfolios seeking current income and capital appreciation primarily through investment in a broader universe of fixed income corporate debt securities and quasi-sovereign debt securities issued by companies located or having a business activity in emerging/developing countries. While largely focused on dollar-denominated corporate bonds, the composite has the ability to invest in local currency corporates as well as dollar-denominated sovereigns. The Full-Authority composite maintains broader discretion seeking to invest in the entire emerging markets corporate universe. (Created December 2017) (Formerly known as Emerging Markets Corporate Bond Composite)

First 50 million (USD)	55 basis points
Next 50 million (USD)	50 basis points
Above 100 million (USD)	45 basis points on all assets <sup>1</sup>
Above 250 million (USD)	40 basis points on all assets <sup>1</sup>
Minimum separate account size 50 million (USD)	

<sup>1</sup> A transitional credit is applied to the fee schedule as assets approach or fall below the breakpoint.

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