



## Emerging Markets Discovery Equity Strategy

As of 31 August 2020



**Portfolio Manager:**

Ernest Yeung

**Managed Strategy**

**Since:**

2015

**Joined Firm:**

2003

**INVESTMENT OBJECTIVE**

The Emerging Markets Discovery Equity Composite seeks long-term capital appreciation primarily through investment in emerging markets with attractive valuation levels relative to market/sector averages.

**PERFORMANCE**

Annualised

	One Month	Three Months	Year-to-Date	One Year	Three Years	Since Inception 30 Sep 2015
Emerging Markets Discovery Equity Composite (Gross of Fees – USD) <sup>1</sup>	-0.24%	12.95%	-13.12%	-1.42%	-0.23%	8.12%
MSCI Emerging Markets Index Net <sup>2</sup>	2.21	19.53	0.45	14.49	2.83	9.48
Value Added (Gross of Fees) <sup>3</sup>	-2.45	-6.58	-13.57	-15.91	-3.06	-1.36

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

<sup>1</sup> 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>2</sup> Returns shown with reinvestment of dividends after the deduction of withholding taxes.

<sup>3</sup> The Value Added is shown as Emerging Markets Value Equity Composite (Gross of Fees) minus the benchmark in the previous row..

**Market Commentary**

Emerging market equities rose for a fifth straight month in August in U.S. dollar terms albeit underperforming their developed world counterparts. Latin American markets such as Chile and Brazil led the underperformance following gains in recent months and currency depreciation which weakened their U.S. dollar returns.

Encouraging economic data, gains in technology stocks, and robust U.S. company earnings supported the global rally. Sentiment also benefited from the U.S. Federal Reserve's strategy change to "average inflation targeting" which could keep interest rates low for an even longer period.

Across Emerging Markets (EM), Asia led with China outperforming the most. Broader optimism about medical solutions to end the coronavirus pandemic, better-than-expected earnings results and outlook for select companies, and favorable Chinese economic data bolstered sentiment.

In China, the recovery seen in its manufacturing as well as services industries and favorable second quarter earnings results, particularly among internet companies, contributed to the market's rise. Taiwan's stock market corrected in August as investors locked in some of its year-to-date gains. India's stock market rose despite the continuing rise in coronavirus infections and renewed border tensions with China. India's economy shrank 23.9% in the April-June quarter from a year earlier, the sharpest contraction among the world's major economies in the June quarter.

In Latin America, the Brazilian market underperformed, following the strong returns seen in July and also on account of weakness in the country's currency, the real, which weighed on performance in U.S. dollar terms. Brazil's central bank announced a further reduction in interest rates. Chile's stock market also lagged due to a softer currency and despite continued strength in the price of copper, a major export.

Elsewhere, Russian equities underperformed despite the oil price recovery. Turkish equities continued to weaken as a sharp currency depreciation hurt returns in U.S. dollar terms amid concerns over the country's dwindling foreign exchange reserves. The South African market was also a laggard following robust returns in July.

Across sectors, consumer discretionary posted double-digit growth in returns led by ecommerce platform and auto stocks. Utilities trailed the most followed by information technology after strong gains in recent months.

**Largest Relative Detractor: Alibaba Group**

Our lack of exposure to Alibaba Group, China's most dominant ecommerce platform, curbed relative performance the most as its shares outperformed. Given our investment criteria, we prefer to own names that are less sought after by other investors, with asymmetric risk/reward profiles. Our overweight in Vipshop, a large Chinese online apparel inventory clearance platform, also hurt returns in August. The Vipshop share price reacted negatively to its soft outlook guidance and the sudden departure of its chief financial officer. We think the weakness is temporary as Vipshop's revenues are expected to accelerate with recovering apparel demand.

**Largest Relative Contributors: Galaxy Entertainment**

Our off-benchmark position in Hong Kong-listed Galaxy Entertainment worked well for the portfolio's performance. News that mainland China will begin reissuing visas for Macau-bound tourists also helped Hong Kong-listed gaming stocks. Galaxy Entertainment, one of Macau's casino operators, has a stronger balance sheet compared to rivals and we expect it to benefit from pent-up demand as its product offerings better match Chinese consumer demand.

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## REP. PORTFOLIO TOP 10 ISSUERS

	Country	Industry	% of Portfolio
Samsung Electronics	South Korea	Technology Hardware, Storage & Peripherals	5.8%
Baidu	China	Interactive Media & Services	2.5
Hon Hai Precision Industry	Taiwan	Electronic Equip, Instr & Cmpts	2.5
Naspers	South Africa	Internet & Direct Marketing Retail	2.2
Ping An Insurance	China	Insurance	2.2
Galaxy Entertainment	Hong Kong	Hotels Restaurants & Leisure	2.2
Vipshop Holdings	China	Internet & Direct Marketing Retail	2.2
Ambuja Cements	India	Construction Materials	2.1
JOYY	China	Interactive Media & Services	2.1
Lukoil PJSC	Russia	Oil, Gas & Consumable Fuels	2.0

## PORTFOLIO CHARACTERISTICS

	Rep. Portfolio	MSCI Emerging Markets Index Net
Number of Issuers	64	1,318
Investment Weighted Median Market Cap (mm USD)	15,011	36,333
Price to Earnings (Current Fiscal Year) (IBES) <sup>#**</sup>	14.4X	23.2X
Price to Book <sup>#</sup>	1.5X	3.3X
Projected Earnings Growth Rate (IBES) <sup>#**</sup>	7.2%	13.4%
Return on Equity (Current Fiscal Year) <sup>#*</sup>	10.1%	13.1%
Top 20 Holdings as Percent of Total	44.9%	37.5%
Percent of Portfolio in Cash	2.0%	-

<sup>#</sup> Statistics are based on Investment Weighted Median.

<sup>\*</sup> These statistics are based on the portfolio's underlying holdings and are not a projection of future portfolio performance. Actual results may vary.

<sup>^</sup>Source: I/B/E/S © 2020 Refinitiv. All rights reserved.

## GEOGRAPHIC DIVERSIFICATION

	Europe	Pacific Ex Japan	Latin America	Middle East & Africa	Reserves
Rep. Portfolio	9.9%	71.0%	13.4%	3.7%	2.0%
MSCI Emerging Markets Index Net	4.4	80.5	7.5	7.5	0.0
<b>Over/Underweight</b>	<b>5.4</b>	<b>-9.5</b>	<b>5.9</b>	<b>-3.8</b>	<b>2.0</b>

## SECTOR DIVERSIFICATION

	Financials	Info Tech	Cons Disc	Materials	Comm Svcs	Energy	Indust & Bus Svcs	Real Estate	Cons Staples	Utilities	Health Care	Reserves
Rep. Portfolio	19.0%	16.2%	15.5%	11.9%	9.4%	9.3%	5.4%	4.1%	3.9%	2.6%	0.7%	1.9%
MSCI Emerging Markets Index Net	17.8	17.5	19.8	7.1	5.6	12.9	4.3	2.0	2.5	6.3	4.2	-0.0
<b>Over/Underweight</b>	<b>1.2</b>	<b>-1.3</b>	<b>-4.3</b>	<b>4.8</b>	<b>3.8</b>	<b>-3.7</b>	<b>1.1</b>	<b>2.1</b>	<b>1.4</b>	<b>-3.7</b>	<b>-3.5</b>	<b>1.9</b>

## ADDITIONAL DISCLOSURES

Source for MSCI data: MSCI. MSCI and its affiliates and third party sources and providers (collectively, "MSCI") makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. Historical MSCI data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Unless indicated otherwise the source of all data is T. Rowe Price and as of the report date.

The information shown does not reflect any ETFs that may be held in the portfolio.

Source for Sector Diversification: T. Rowe Price uses the MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. T. Rowe Price will adhere to all future updates to GICS for prospective reporting.

Numbers may not total due to rounding.

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 Discovery Equity Composite**

Period Ended December 31, 2019  
 Figures Shown in U.S. dollar

	2015 <sup>2</sup>	2016	2017	2018	YTD 2019
Gross Annual Returns (%)	2.86	13.07	35.52	-8.92	17.71
Net Annual Returns (%) <sup>1</sup>	2.65	12.12	34.40	-9.70	16.72
MSCI Emerging Markets Index Net (%) <sup>3</sup>	0.66	11.19	37.28	-14.57	18.42
MSCI Emerging Markets Value Index Net (%) <sup>3</sup>	-1.45	14.90	28.07	-10.72	11.94
MSCI Emerging Markets Index (%) <sup>3</sup>	0.73	11.60	37.75	-14.24	18.88
MSCI Emerging Markets Value Index (%) <sup>3</sup>	-1.36	15.48	28.67	-10.26	12.52
Composite 3-Yr St. Dev.	N/A	N/A	N/A	14.35	14.00
MSCI Emerging Markets Index Net 3-Yr St. Dev.	14.06	16.07	15.35	14.60	14.17
MSCI Emerging Markets Value Index Net 3-Yr St. Dev.	15.17	17.55	16.59	15.07	13.70
MSCI Emerging Markets Index 3-Yr St. Dev.	14.04	16.07	15.36	14.62	14.17
MSCI Emerging Markets Value Index 3-Yr St. Dev.	15.15	17.56	16.60	15.10	13.71
Composite Dispersion	N/A	N/A	N/A	N/A	N/A
Comp. Assets (Millions)	14.1	19.3	45.6	56.7	278.1
# of Accts. in Comp.	1	1	1	2	2
Total Firm Assets (Billions)	772.4	817.2	1,000.2	972.7	1,218.2 <sup>4</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>September 30, 2015 through December 31, 2015.

<sup>3</sup>Effective July 1, 2018, the benchmark for the composite changed from gross to net of withholding taxes. The change was made because the firm viewed the new benchmark to be more consistent with the tax impacts of the portfolios in the composite. Historical benchmark representations have been restated. Effective September 30, 2015, the secondary benchmark was added. Primary benchmark is MSCI Emerging Markets Index Net and secondary benchmark is MSCI Emerging Markets Value Index Net.

<sup>4</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.

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 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 Discovery Equity Composite seeks long-term capital appreciation primarily through investment in emerging markets with attractive valuation levels relative to market/sector averages. (Created September 2015)

First 50 million (USD)	85 basis points
Next 50 million (USD)	75 basis points
Above 100 million (USD)	75 basis points on all assets <sup>1</sup>
Above 200 million (USD)	60 basis points on all assets <sup>1</sup>
Minimum separate account size	50 million (USD)

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