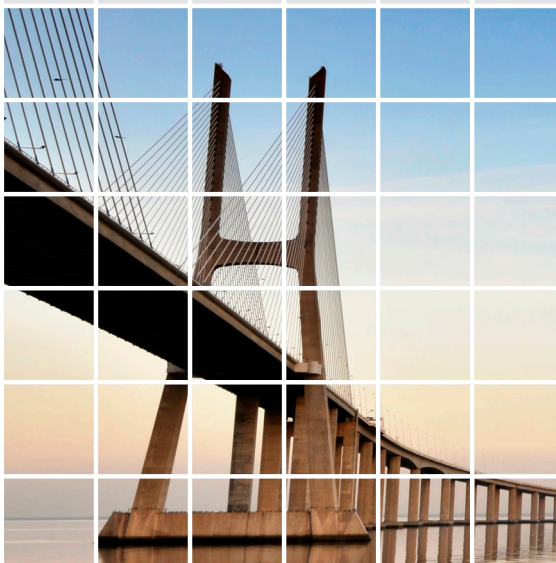




T. Rowe Price
**DYNAMIC GLOBAL
BOND STRATEGY**



INTRODUCTION	2	IDEA GENERATION	6	INVESTMENT TEAM	14
KEY OBJECTIVES	3	PORTFOLIO CONSTRUCTION	8	CONTACT US	15
INVESTMENT APPROACH	4	RISK MANAGEMENT	11		

July 2017

Effective 1 July 2017, the strategy's name changed from Global Unconstrained Bond to Dynamic Global Bond.

For investment professionals only. Not for further distribution.

FIXED INCOME:

Time to think differently

Today's challenges for fixed income investors are well documented. Traditional fixed income, which has served investors well during an extended bull run over the past three decades, is now delivering very little income and, with interest rates at such low levels, offers modest potential for capital gain from this point. Furthermore, correlations between government bonds and credit have, on the whole, increased in recent years posing risks to those investors that have adopted barbell strategies.

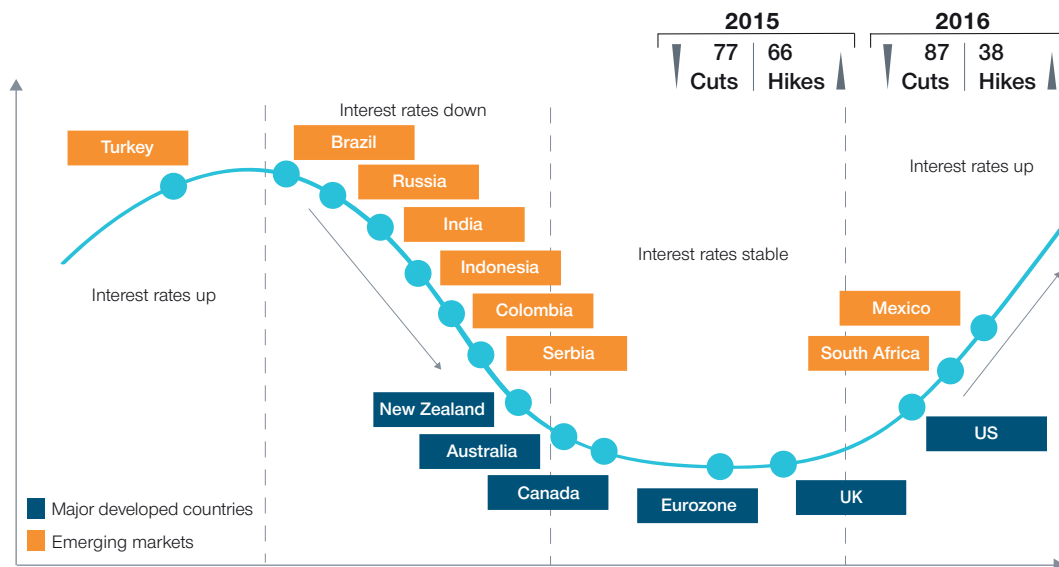
Consequently investors may need to apply fresh thinking to their bond allocations in order to retain the traditional fixed income qualities of stable return, downside protection and diversification.

Whilst traditional approaches to fixed income investing face a number of headwinds, there

remain many investment opportunities across bond markets for those strategies that remove the constraints of a traditional benchmark and allow a skilled manager to take advantage.

This means being able to generate returns for clients from alpha rather than beta, thereby uncoupling the relationship between portfolio returns and overall market direction. By moving away from a benchmark-oriented approach, a portfolio can be built around the best investment ideas independent of the debt issuance structure and profile of a market index. When combined with a focus on maintaining a liquid, high quality and agile portfolio to manage risks, such an approach should continue to fulfill fixed income's role as a diversifier and a source of sustainable income and capital preservation.

FIGURE 1: ILLUSTRATIVE INTEREST RATE CYCLE



Those with access to a truly global range of markets can derive returns by taking positions in countries at differing stages of the interest rate cycle.

Cuts vs hikes are the actual cuts and hikes that have happened across countries worldwide.
Sources: CRB Rates and T. Rowe Price, as at 31 December 2016.

For illustrative purposes only.

KEY OBJECTIVES:

Dynamic Global Bond Strategy

The T. Rowe Price Dynamic Global Bond Strategy is an absolute return-oriented fixed income portfolio that seeks to generate consistent returns over cash. The strategy utilises a flexible, benchmark-agnostic approach to invest across the full global fixed income opportunity set in order to satisfy three key objectives for clients:

SUSTAINABLE, POSITIVE RETURNS

The strategy seeks to achieve stable, consistent returns in excess of a cash benchmark through different market environments. Specifically, the strategy aims to deliver a return of Libor +3% over a market cycle with a target volatility of 2 - 5%.¹

CAPITAL PRESERVATION

A key focus of the strategy is downside risk management. The strategy aims to provide a source of stability, particularly at times when yields rise and/or risk assets fall in value.

DIVERSIFICATION FROM EQUITY/ CREDIT RISK

The strategy aims to provide the 'traditional' qualities of fixed income. Therefore it is designed to be liquid and transparent, providing a source of diversification at times of equity market corrections and, more generally, during periods of risk aversion.

¹ The performance target is not a formal objective and it can be changed without prior notice at any time.

INVESTMENT APPROACH:

A flexible, go-anywhere strategy

The Dynamic Global Bond Strategy provides a different approach to investing in fixed income markets. The strategy enables our investment team to express their conviction views through both long and short positions in duration, and to a limited extent in currencies and credit across a broad spectrum of markets and sectors. This flexibility is intended to allow our team to deliver on its key objectives: generating positive returns that are uncorrelated with market direction while minimising downside risks.

- **A GLOBAL BOND STRATEGY WITH TRADITIONAL FIXED INCOME QUALITIES**

The strategy takes a truly global approach – fixed income without borders – to identify the most compelling investment opportunities. The portfolio retains many of the enduring qualities of fixed income (liquidity, transparency and low volatility) and takes an active and dynamic approach, able to adapt quickly to changing market conditions in order to capture returns and/or mitigate risks.

- **CONSIDERS A DIVERSE RANGE OF STRATEGIC AND TACTICAL VIEWS**

The portfolio's active approach integrates views on countries, interest rates and yield curves as well as credit security selection. While the investment team has the freedom to exploit inefficiencies in credit and currency markets, the focus is skewed towards global government bonds and country opportunities.

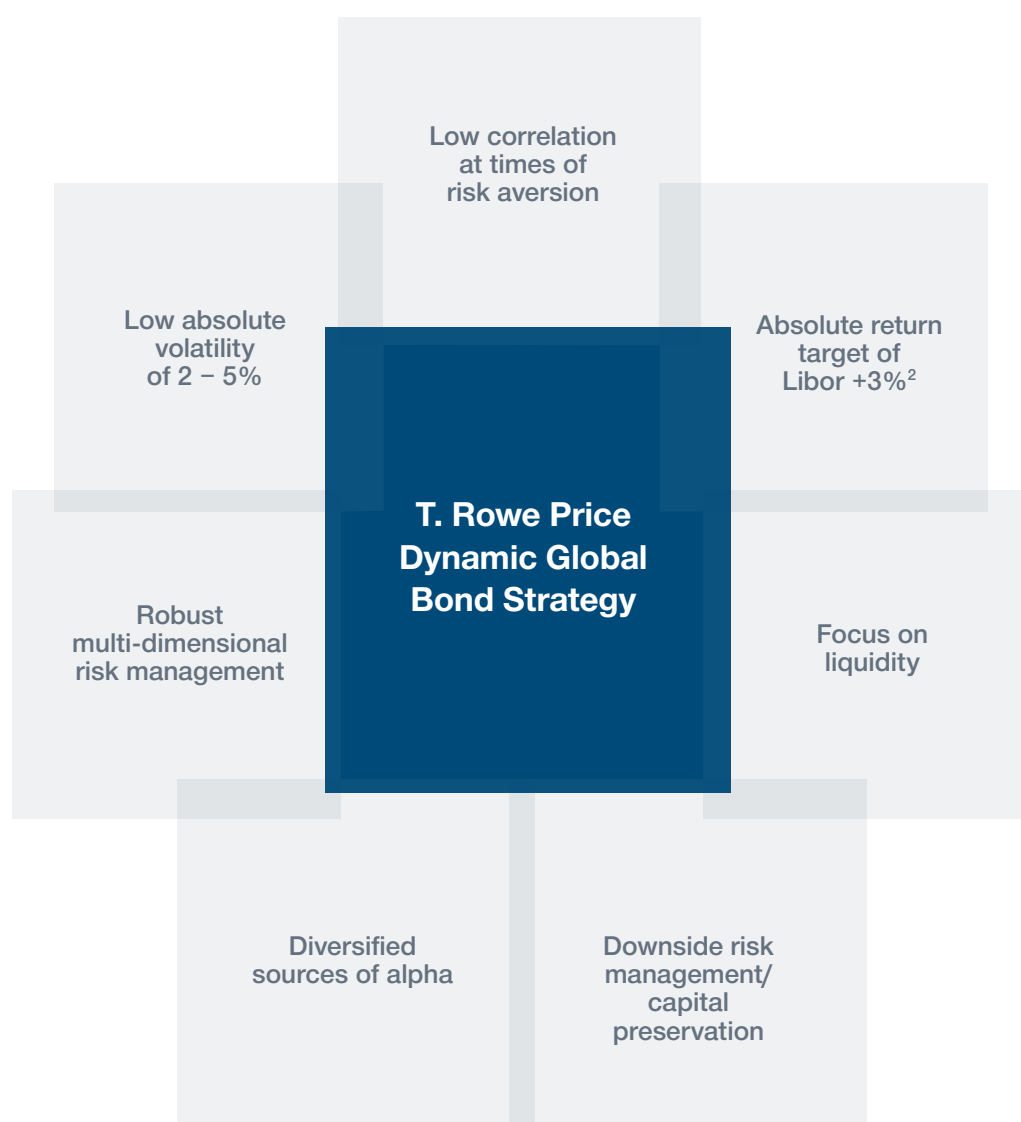
- **BALANCES STABLE RETURNS AND CAPITAL PRESERVATION**

We believe that protecting our clients' fixed income assets against downside risks is paramount. Finding the right balance between core, return-seeking and defensive positions, avoiding low quality assets, and anchoring performance in times of market stress are at the core of our approach.

We believe that global fixed income markets consistently present opportunities to generate positive return for clients. The insights we acquire through proprietary, fundamental research help us identify and exploit pricing anomalies across the full fixed income opportunity set. Acknowledging our objective of capital preservation, the pursuit of return-generating opportunities is always managed within a disciplined risk framework.

These beliefs underpin the investment process, which is built around three core components: **idea generation**, **portfolio construction** and **risk management**.

FIGURE 2: KEY FEATURES



² The performance target is not a formal objective and it can be changed without prior notice at any time.

IDEA GENERATION:

Driven by fundamental research

Using the breadth and depth of our global analyst team to uncover the most compelling ideas and sources of alpha...

Proprietary, fundamental research is the key driver of investment ideas for all of the firm's global bond portfolios. Research conducted by sovereign, corporate and quantitative fixed income analysts integrates fundamental, technical and relative value analysis with a strong emphasis placed on collaboration across the team. The fixed income team also leverages insights from sector and regional equity analysts and portfolio managers to help inform their views. Fixed income analysts are responsible for developing and substantiating an opinion on every security they cover, which is encapsulated in a proprietary independent credit rating. This is supplemented by a conviction score to communicate the relative attractiveness of each security.

The collective knowledge and insights of our fixed income analysts and portfolio managers is drawn together in a series of 'Monthly Policy Week' meetings. During these sessions, the team seeks to understand what is happening across all markets and to identify potential investment opportunities.

To inform the discussion and debate at these meetings, the team constructs a series of interest rate, yield curve, currency, and sector forecasts across global fixed income markets.

The inputs driving these forecasts can be broken down into two categories:

- **Macro-economic inputs** based on the high-level outlook scenarios of the world's major economies. Implications for interest rates and currency trends, as well as broad valuation and corresponding risk factors across sectors and asset classes, are considered together with the broader geopolitical environment.
- **Bottom-up inputs** based on the research of individual analysts who provide a review of every country, currency, sector, and individual security. More detailed and focused assessments follow, taking into account valuation profiles and technical factors. During these reviews, the global investment team will challenge the strength of the analysts conviction levels.

Forecasts are produced for two different time horizons: a short-term time horizon of 3 months and a longer time horizon of 6 to 12 months. Encouraging analysts to forecast over different time horizons gives us a stronger appreciation for their conviction level.

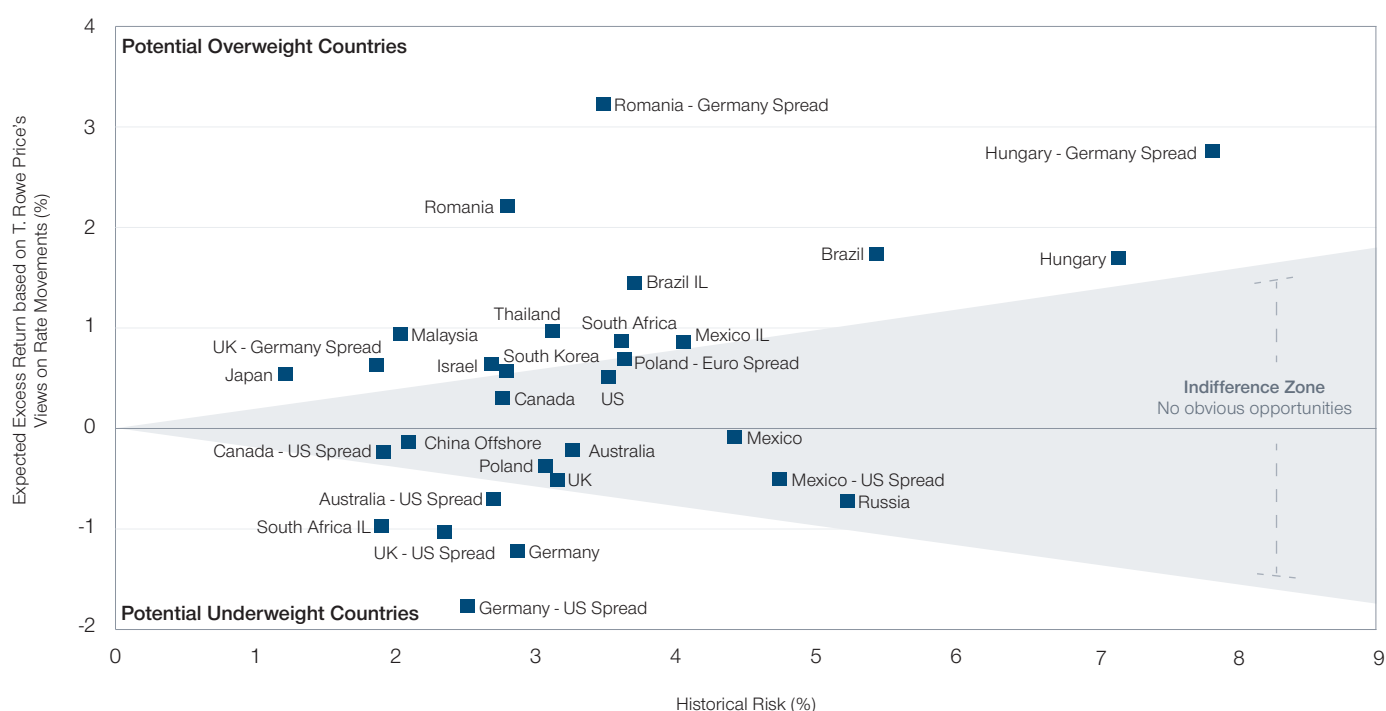
Once agreement has been reached by the investment team, the expected returns of bonds, currencies, and sectors are calculated and plotted against their observed risk characteristics as measured by their historical volatility profile using our proprietary risk/return charting tool. A sample of its output is shown opposite.

Adjustments may be made to the historical volatility of a specific market if we believe there has been a major structural change within an economy, such as in the wake of a default or in the case of historically pegged currencies.

This proprietary risk/return model is highly flexible, taking into account the embedded carry of any market and the implied roll-down of any yield curve. It facilitates swift relative value comparisons both within and between sectors, and across different currencies to take into account the impact of currency hedging.

Opportunities are segmented according to their risk/return characteristics, and analyst conviction levels to emphasise the most attractive opportunities, not only on a risk-adjusted basis but also in terms of consistency across different time horizons.

FIGURE 3: SAMPLE 3-MONTH FORECAST – 10YR RATES (UNLESS SPECIFIED)³



³ Source: T. Rowe Price, as of 31 December 2015.

For illustrative purposes only.

This information demonstrates, in part, the firm's risk/return analysis. This material is provided for informational purposes only and should not be used to forecast future returns for any investment product. This material is not intended to be investment advice or a recommendation to take any particular investment action.

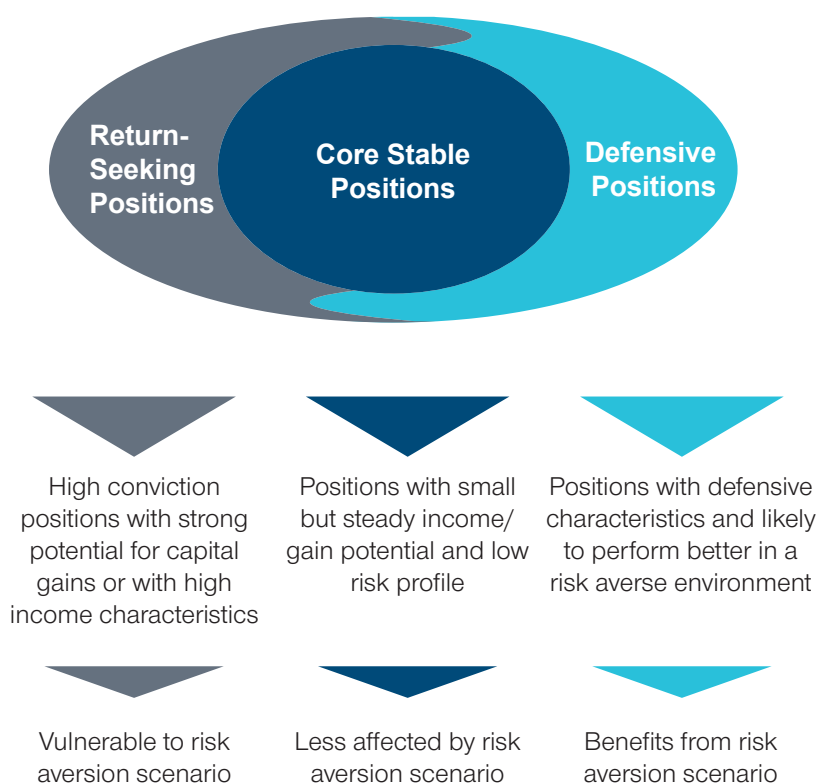
PORTFOLIO CONSTRUCTION: Independent of benchmark constraints

Selecting analysts' highest conviction ideas, using our risk budget to build a portfolio designed to meet its objectives...

Our approach to portfolio construction reflects the strategy's primary objectives of seeking to generate consistent performance whilst managing downside risks and volatility by taking active positions across the full fixed income universe. In order to provide diversification away from equity market volatility means that, over a market cycle, the majority of performance is expected to be derived from traditional fixed income return sources: country positions, via outright duration views, relative country positioning, and yield curve rebalancing. Currency positions and sector allocation/security selection are expected to have a lower, yet positive contribution to portfolio returns over time.

The strategy is predicated on having no systematic or persistent sources of beta, seeking to generate returns that are not reliant on broad market returns. The portfolio reflects a truly global, diverse range of high conviction ideas sourced from across the full opportunity set and our research-driven views can be expressed through both long and short positions.

FIGURE 4: OUR APPROACH TO PORTFOLIO CONSTRUCTION



The Dynamic Global Bond portfolio can be broken down into three main components:

► **CORE STABLE POSITIONS**

The bedrock of the portfolio comprises core stable positions. These are typically government bonds, and short-dated high quality investment grade corporate bonds. The focus is on low volatility markets with modestly steep yield curves where interest rates are stable or being cut, and which exhibit little or no expected controversy. Importantly, the range of outcome outside the base scenario is generally limited. This part of the portfolio seeks to deliver modest return with an emphasis on stability.

► **RETURN-SEEKING POSITIONS**

With the core holdings established, we add selective return-seeking positions that can generate additional return. These positions are typically in emerging markets bonds and higher yielding sectors, drawn from our bottom-up global research platform and driven by the research analysts' high conviction ideas. Return-seeking positions will typically be smaller in size compared to core stable holdings given the portfolio's overall risk budget.

► **DEFENSIVE HEDGES**

Once we have selected our core stable and return-seeking positions, we analyse the portfolio's risk profile: How much duration do we have? How much credit beta? How much of the risk budget is exposed to a particular theme or factor? How much EM correlation do we have? Based on this assessment, we may modify certain holdings, position sizes, and add in some defensive hedges, using liquid, vanilla and generally exchange-traded derivatives to implement our views.

The team adjusts the portfolio's duration positions, sector allocation, and currency exposures according to the current market opportunities and risks. Changes in market conditions, such as valuation and liquidity, are discussed during daily and weekly meetings, while new information on macro-economic data is rapidly integrated during regular discussion forums. This allows the investment team to remain nimble and adapt the portfolio to incorporate tactical allocations and dynamic hedging strategies.

The final portfolio typically consists of between 40 – 100 high conviction positions, combined to achieve balance and diversification across sources of return and risk. Positions are sized according to conviction, liquidity, risk/return expectations and their impact on the overall portfolio's risk profile.

The strategy's wide opportunity set and increased flexibility enables the portfolio managers to invest in a broad spectrum of opportunities with return potential across asset classes. Our focus on achieving the strategy's principal objectives provides a greater emphasis on country and currency allocation and less emphasis on credit exposure.

Ultimately the goal is to achieve balance: finding the right mix between duration, country allocation, bottom-up security selection and currency positioning to generate optimal returns while seeking to effectively manage risks and preserve capital.

BUILDING A PORTFOLIO WITH AN ABSOLUTE RETURN ORIENTATION

Given the strategy's absolute return-oriented performance objective, the investment team approaches portfolio construction in a way that is inherently different from traditional, index-relative strategies, particularly in terms of conviction and time horizon.

- **Conviction** Our focus on capital preservation means that all portfolio holdings represent high conviction ideas with identified levels of potential outcomes. As there is no reference index, there are no 'underweight' or 'neutral' positions. Every holding has a clear and defined role in helping meet the strategy's objectives.
- **Time horizon** Whilst index-relative strategies can 'top up' high conviction ideas that experience short-term price declines, the investment horizon for an absolute return-oriented portfolio will typically be shorter, given the importance of capital preservation.

RISK MANAGEMENT:

Multi-dimensional portfolio analysis

Risk management is paramount in the portfolio construction and monitoring process and T. Rowe Price puts a premium on achieving superior risk-adjusted returns for our clients.

The T. Rowe Price Dynamic Global Bond Strategy aims to generate a consistent level of performance, less reliant on overall market direction, while applying a disciplined risk management approach throughout the investment process. A key goal is always to minimise downside risk for our clients and to understand the balance between risk-seeking positions and defensive hedges.

Deep security-specific knowledge and risk assessment by our analysts are integral to the fundamental research and idea generation elements of our process, with additional independent risk analysis undertaken on each holding and the overall portfolio.

Significant efforts are dedicated to the analysis of underlying risk from active positions across a variety of key areas, including duration management, currency positioning, credit spread exposures and individual corporate bond risk. In addition to using third party risk tools such as Barclays POINT, we have developed a proprietary system that analyses other measures of risk using different correlation levels. Risks are grouped by investment activities and themes, allowing us to test the robustness and diversification of our portfolio. This tool helps to identify any portfolio adjustments required to minimise the impact of a diverse range of risk scenarios.

Ensuring that the sources of return and risk are balanced within the portfolio at all times...

FIGURE 5: STRATEGY CHARACTERISTICS AND INVESTMENT PARAMETERS

DYNAMIC GLOBAL BOND STRATEGY	
MAIN CHARACTERISTICS	
Benchmark	3-Month LIBOR
Outperformance Target (Gross of Fees) ⁴	3%
Volatility Target	Between 2% and 5%
Other	Focus on downside risk
INVESTMENT PARAMETERS	
Duration Limits	Between -1 and +6 years
Currency Limits	Minimum 80% hedged
Rating Limits	Maximum 30% in high yield
Mortgage Backed Securities Limits	Maximum 20%
Allocation to Non-Government Bonds	0 – 100%
Allocation to Individual Non-Government Issuer	Maximum 3%
Allocation to Derivative Securities	Allowed

⁴ The performance target is not a formal objective and it can be changed without prior notice at any time.

Our proprietary system uses different volatility measures and assumes that correlations are not stable over time. In this way we can better understand and calibrate the risk of each of our active positions to achieve the appropriate level of diversification. Two ex-ante volatility calculations run weekly are:

- A **gross ex-ante tracking error** based on aggregating the individual historical tracking errors of each active position. This measure generally produces an overestimate of the portfolio's realised tracking error, but is useful both as an estimate of risk at times of market stress (when correlations often tend toward one) and as a way of segmenting the portfolio's risk by activity and by investment theme.
- A **conventional ex-ante tracking error** that factors in the historical correlation between each active position, resulting in a more conservative estimate of the level of tracking error.

At the portfolio level, the investment team operates within a disciplined risk budget to ensure that no single risk or individual position can exert a disproportionate influence on the overall performance of the portfolio. We review the diversification between our active positions and assess concentration risk as follows:

FIGURE 6: MULTI-DIMENSIONAL ASSESSMENT OF CONCENTRATION RISK

PERFORMANCE ACTIVITY	INVESTMENT THEME	RISK AVERSION
<p>The risk associated with each active position is classified under three main performance activities, in line with the risk budget of the portfolio:</p> <ul style="list-style-type: none"> ■ Country/Duration ■ Currency ■ Sector Allocation/Security Selection <p>This first level of risk analysis allows us to calibrate the risk of each activity compared with the portfolio's performance target and risk budget.</p>	<p>Each position is classified under a primary investment theme aimed at understanding the positions that are correlated to the same market scenario, but may be classified under different performance activities.</p> <p>We consider diversification at the investment theme level to ensure stability of performance.</p>	<p>Each position is also classified under a second theme linked to its correlation to risk aversion.</p> <p>The purpose of this classification is to understand the robustness of the portfolio's performance at a time of increased risk aversion, which could lead to a higher-than-expected level of correlation between specific positions.</p>

This output provides transparency about the risks we are taking in the portfolio. We are not thematic investors but one consequence of building a portfolio from the bottom-up is that it may result in too much exposure to a particular theme or factor. The risk tool helps mitigate this by tagging each position in the portfolio to a theme(s) in order that we can see how the various risk exposures are accumulating (see Figure 7, below). This ensures that we are not overexposed to one or two dominant trades that could hurt the portfolio, and also ensures that we have sufficient exposure to our favoured themes.

The strategy does not use leverage and derivative usage is limited, both in the volume and types of derivative securities. We use liquid and generally exchange-traded derivatives which are an effective means of managing risk, and modifying duration and exposures to currencies and countries as we adapt our investment strategy to changing market conditions. Shorting will generally be implemented via long protection in credit derivative instruments at index level and occasionally at single name level.

FIGURE 7: PROPRIETARY THEMATIC RISK TOOL – SAMPLE OUTPUT⁵

CORRELATED RISK	UNCORRELATED RISK ACTIVITY							
Expected Volatility (bps)	By Performance Activity (bps)		By Investment Theme (bps)		By Vulnerability to Risk Aversion and Hedging (bps)		By Top 10 Positions (bps)	
156	Country	542	ECB quantitative easing	319	Total Risk Aversion	510	Short US duration	121
	Currency	144	Underpriced monetary action	121	EM-risk	295	Short EUR credit index	81
	Sector/Security	210	Attractive carry	117	DM Treasury-risk	168	Short Credit U.S. high yield Index	59
			EM reform	107	DM Credit-risk	47	Long local Mexico	57
			Regional disinflation	97			Long Cyprus duration	47
			Strong US dollar	52	Risk Hedging	338	Long local Serbia	38
			China slowdown	45	Country	115	Long Germany duration	36
			Other	23	Currency	83	Long Thailand duration	33
			Cheap EM valuation	16	Short credit (derivative)	140	Short Euro	27
							Short Mexican peso	26
	TOTAL	896	TOTAL	896	NET RISK AVERSION	171		







⁵ Source: T. Rowe Price, as at 31 December 2015.
For illustrative purposes only.

INVESTMENT TEAM:

Leveraging global scale and talent

Investment strategy and portfolio construction for the Dynamic Global Bond Strategy is overseen by a global team of six experienced portfolio managers, led by Head of International Fixed Income Arif Husain. Arif has been investing in fixed income markets for over 20 years and has extensive experience of managing unconstrained bond portfolios through different market cycles.

FIGURE 8: GLOBAL INVESTMENT TEAM

	TITLE/RESPONSIBILITIES	LOCATION	INVESTMENT EXPERIENCE
 Arif Husain, CFA	Head of International Fixed Income Lead Portfolio Manager	London	21
 Steven Huber, CFA, FSA	Portfolio Manager – Global Multi-Sector	Baltimore	29
 Quentin S. Fitzsimmons	Portfolio Manager – Global Fixed Income	London	25
 Ju Yen Tan	Portfolio Manager – US Bloc	London	20
 Kenneth A. Orchard, CFA	Portfolio Manager – Europe Bloc	London	13
 Andrew Keirle	Portfolio Manager – EM Local Currency	London	20

GLOBAL FIXED INCOME RESOURCES⁷

76 RESEARCH
AND ANALYSIS

41 PORTFOLIO
MANAGEMENT

38 TRADING

The Global Investment Team is supported by the full resources of our Fixed Income Division, which is responsible for US\$195.7 billion in assets under management.⁶ The team collaborates with over 70 fixed income sovereign, credit and quantitative analysts based in North America, Europe and Asia, as well as with more than 150 equity analysts⁷ to uncover the best opportunities and investment themes.

The depth of our research team, built on the experience of our analysts, greatly contributes to the success of our portfolios due to their in-depth knowledge of the companies and countries they cover. Independent thinking and the ability to communicate across our global research platform are key aspects that enhance our portfolios.

We hire and develop high calibre professionals from diverse backgrounds which contributes to our highly collaborative culture that encourages a continuous exchange of information and ideas across the firm. Combined with the output from our deep, proprietary research, we believe our professionals can uncover unique investment insights and make more informed decisions on behalf of our clients.

⁶ As at 31 March 2017. The combined assets under management of the T. Rowe Price group of companies. The T. Rowe Price group of companies includes T. Rowe Price Associates, Inc., T. Rowe Price International Ltd, T. Rowe Price Hong Kong Limited, T. Rowe Price Singapore Private Ltd., and T. Rowe Price (Canada), Inc.

⁷ As at 31 March 2017.

ABOUT T. ROWE PRICE

T. Rowe Price is an independent investment management firm, founded in 1937 by Thomas Rowe Price, Jr, focused on helping clients meet their objectives and achieve their long-term financial goals.

Today, the firm has a presence in 16 countries across Europe, the Americas, Asia and the Middle East, managing US\$861.6 billion in assets across a broad range of equity and fixed income investment strategies. Our diverse client base includes sovereign entities, corporations, defined benefit and defined contribution pension plans, foundations, endowments, global financial institutions and financial intermediaries.

Our Fixed Income Division was established in 1971. With coverage of every major sector, we manage a comprehensive set of traditional and innovative strategies including regional, global, unconstrained, high yield and multi-sector solutions. In total, the firm manages US\$195.7 billion in fixed income assets.⁸

Backed by organisational stability and financial strength, our experience through all types of market conditions contributes to a proven investment strategy designed to generate consistent performance over the long-term.

VISIT OUR WEBSITES FOR MORE INFORMATION:

Financial Intermediaries
troweprice.com/intermediaries

Institutions
troweprice.com/institutional

Consultants
troweprice.com/consultant

⁸ As at 31 March 2017. The combined assets under management of the T. Rowe Price group of companies.

IMPORTANT INFORMATION

This material, including any statements, information, data and content contained within it and any materials, information, images, links, graphics or recording provided in conjunction with this material are being furnished by T. Rowe Price for general informational purposes only. The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price. The material does not constitute a distribution, an offer, an invitation, recommendation or solicitation to sell or buy any securities in any jurisdiction. The material has not been reviewed by any regulatory authority in any jurisdiction. The material does not constitute advice of any nature and prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. Past performance is not a reliable indicator of future performance. The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The views contained herein are as of the date of publication and may have changed since that time.

DIFC – Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd. This material is communicated on behalf of T. Rowe Price International Ltd by its representative office which is regulated by the Dubai Financial Services Authority. For Professional Clients only.

EEA – Issued in the European Economic Area by T. Rowe Price International Limited, 60 Queen Victoria Street, London EC4N 4TZ which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

Switzerland – Issued in Switzerland by T. Rowe Price (Switzerland) GmbH ("TRPSWISS"), Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. For Qualified Investors only.

T. ROWE PRICE, INVEST WITH CONFIDENCE and the Bighorn Sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc. in the United States, European Union, and other countries. This material is intended for use only in select countries.

C8I56K59G 2016-GL-5908