

T. Rowe Price Funds SICAV

Dynamic Global Bond Fund

Seeking consistent returns through fixed income market cycles

Fund snapshot

- An actively managed, diversified global bond portfolio with opportunistic currency and credit allocations
- Emphasises negative or low correlation to equity markets, especially during periods of heightened volatility and negative movements in risk assets
- Aims to produce modest and repeatable performance, regardless of the direction of interest rate movements

Asset class	Global fixed income
Benchmark*	ICE BofA US 3-Month Treasury Bill Index
Inception	June 2015
Co-Portfolio Managers	Scott Solomon; Adam Marden
Style	Defensive, moderate income
No of holdings	100 -170
ISINs	LU1216622214 (I USD) LU1216622305 (Q USD)
SFDR classification**	Article 8

Fund overview



"The Dynamic Global Bond Fund is designed with three key objectives: to generate regular income and returns for our clients, to offer genuine diversification away from equity markets, and to preserve capital, especially during periods of rising interest rates."

Scott Solomon | Co-Portfolio Manager

Investors can no longer rely on the steady capital gains produced by global bonds during a four-decade-long bull market. Now, generating performance from global bonds requires a flexible approach and the ability to take opportunistic positions, including short exposure, across currency and credit markets.

The T. Rowe Price Dynamic Global Bond Fund combines the key benefits of a traditional fixed income strategy with a flexible and dynamic approach. It aims to generate performance, regardless of the interest rate environment.

Reasons to consider this fund



Consistent Performance

The Dynamic Global Bond Fund aims to produce a regular and consistent stream of returns, whether from yield or capital appreciation, regardless of interest rate environment.



Downside Risk Management

The fund adopts a holistic and rigorous approach to risk management, seeking to provide adequate diversification when equity markets and other risk assets undergo a correction.



Genuine diversification

Many non-traditional bond funds promise diversification but in reality have high correlation to equity market returns. The Dynamic Global Bond Fund demonstrates low correlation to key equity market indices.

When investing in funds, certain risks apply, which include those specific to investing in credit, default, derivative, emerging markets, geographic concentration, hedging and high yield. The fund can also be affected by changes in currency exchange and interest rates. For a full list of risks applicable to this fund, please refer to the prospectus.

* The managers are not constrained by the fund's benchmark, which is used for performance comparison purposes only.

** Sustainable Finance Disclosure Regulation (SFDR). Although the fund does not have sustainable investment as an objective, the promotion of environmental and social characteristics is achieved through the fund's commitment to maintain at least 50% of the value of its portfolio invested in issuers and/or securities that are rated as 'Green' by the T. Rowe Price proprietary Responsible Investor Indicator Model (RIIM).

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Flexibility in a Shifting Economic Landscape



Quick takeaways

- Non-traditional bond funds like the T. Rowe Price Dynamic Global Bond Fund are able to adjust to changing market conditions by dynamically adjusting the portfolio duration
- These strategies are benchmark-agnostic and can invest in a wide range of fixed income sectors, geographies and security types
- When selecting a non-traditional bond fund, make sure to find one that has a track record of low correlation with risk assets such as equity markets

Defence against rising interest rates

For four decades, global interest rates have been on a downwards trend, generating handsome capital gains for anyone investing in bonds. But the 2020 coronavirus pandemic and the unprecedented monetary and fiscal stimulus that followed have put an apparent end to the bond bull market.

Now, with spectacularly high levels of inflation policymakers are being forced to apply the brakes through interest rate rises.

This means solely selecting long-only strategies may no longer work in fixed income markets. Instead, investors should also consider strategies that can adjust a portfolio's duration tactically in response to changing market conditions.

Such unconstrained bond strategies have the flexibility to go long or short interest rate and credit risk, allowing the portfolio manager to protect capital in different market conditions. The non-traditional bond fund category currently has a lower duration than many bond market sectors, offering potential resilience against rising interest rates.

Portfolio diversification and potential downside protection

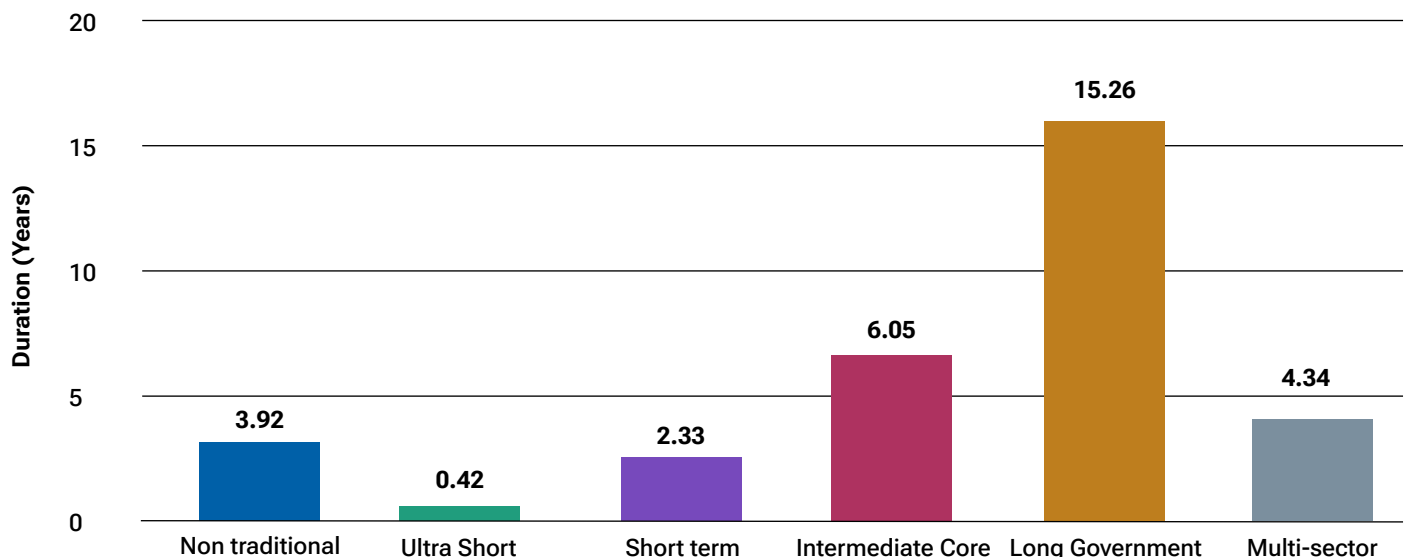
Non-traditional bond strategies are benchmark-agnostic and typically measure their performance against a wholesale market interest rate. They can cast a broader net than traditional bond funds, with the potential to invest in a wide range of sectors, geographies and security types. This provides for portfolio diversification and some protection against market declines.

However, while non-traditional bond funds have significant flexibility, there are more differences than similarities amongst funds in this highly disparate category.

Potential investors should check that their dynamic bond strategy can demonstrate potential downside protection in a range of market environments. Many funds in this sector have in the past shown a high correlation to risk assets like the US equity market or simply rely on long interest rate exposure to diversify equity risk. A strategy that isn't effective when correlation relationships change.

Fig. 1: Non-traditional bond funds have a lower duration than many traditional bond sectors

Average duration, as of 30 September 2024



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Our Investment Approach



Quick takeaways

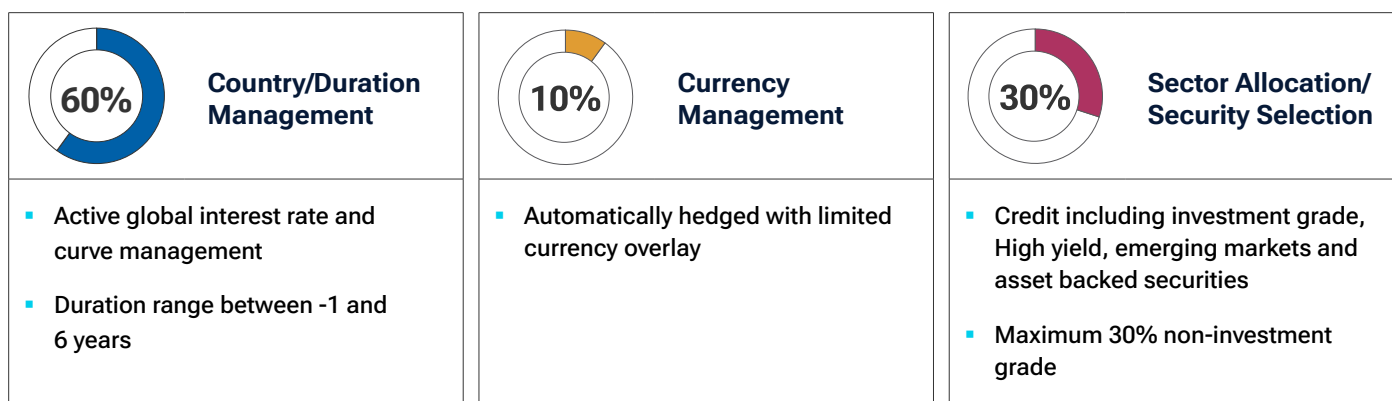
- Active global interest rate and curve management with -1/+6 year duration range
- Currency-hedged with a limited active currency overlay
- Credit includes investment grade, high yield and asset-backed with a maximum 30% non-investment grade

The Dynamic Global Bond Fund is an actively managed, diversified global bond portfolio with opportunistic allocations to currency and credit markets with the objective of enhancing performance and managing risk.

We estimate that around 60% of the portfolio's value added will come from the active management of country and duration positions, with a permissible duration range of -1 to +6 years.

Around 10% of the portfolio's value added is expected to come from active currency management. And the remaining 30% of performance is likely to derive from credit exposures, including investment grade, high-yield, emerging market and asset-backed exposures (with a 30% overall limit on investments in non-investment grade fixed income).

Fig. 1: Expected contribution of value added



A disciplined and repeatable investment process across fixed income markets

We start by generating forecasts for the global fixed income markets, covering the macroeconomic outlook, fundamental and ESG analysis, valuation metrics and technical analysis.

We then select opportunities for the fund by comparing countries, currencies, sectors and issuers and measuring the strength of our convictions within an explicit risk/return framework.

We construct the portfolio using a qualitative and quantitative approach to positioning, sizing and hedging.

Finally, we monitor the portfolio on an ongoing basis, assessing performance against price targets, incorporating new information and checking liquidity profiles and ESG characteristics.

Holdings	100-170
Duration range	-1 to +6 years
Benchmark*	ICE BofA US 3-Month Treasury Bill Index
Excess return target	Benchmark + 300bps p.a.
TE/Volatility target	200-500 bps p.a.
Fixed income sectors	Sovereign, agency, corporate, asset-backed, emerging market bonds and cash/cash equivalents
Countries/currencies	40 countries and 23 currencies (as of 30 September 2022)

* The managers are not constrained by the fund's benchmark, which is used for performance comparison purposes only.

Risks - The following risks are materially relevant to the fund:

ABS and MBS – Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) may be subject to greater liquidity, credit, default and interest rate risk compared to other bonds. They are often exposed to extension and prepayment risk.

Contingent convertible bond – Contingent Convertible Bonds may be subject to additional risks linked to: capital structure inversion, trigger levels, coupon cancellations, call extensions, yield/valuation, conversions, write downs, industry concentration and liquidity, among others. **Credit** – Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the fund. **Currency** – Currency exchange rate movements could reduce investment gains or increase investment losses. **Default** – Default risk may occur if the issuers of certain bonds become unable or unwilling to make payments on their bonds. **Derivative** – Derivatives may result in losses that are significantly greater than the cost of the derivative. **Distressed or defaulted debt securities** – Distressed or defaulted debt securities may bear substantially higher degree of risks linked to recovery, liquidity and valuation.

Emerging markets – Emerging markets are less established than developed markets and therefore involve higher risks.

Geographic concentration – Geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the fund's assets are concentrated. **Hedging** – Hedging measures involve costs and may work imperfectly, may not be feasible at times, or may fail completely. **High yield bond** – High yield debt securities are generally subject to greater risk of issuer debt restructuring or default, higher liquidity risk and greater sensitivity to market conditions. **Interest rate** – Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates. **Issuer concentration** – Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the fund's assets are concentrated. **Security Liquidity** – Any security could become hard to value or to sell at a desired time and price. **Prepayment and extension** – Mortgage- and asset-backed securities could increase the fund's sensitivity to unexpected changes in interest rates. **Sector concentration** – Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the fund's assets are concentrated. **Total return swap** – Total return swap contracts may expose the fund to additional risks, including market, counterparty and operational risks as well as risks linked to the use of collateral arrangements.

General Fund Risks

Conflicts of Interest – The investment manager's obligations to a fund may potentially conflict with its obligations to other investment portfolios it manages. **Counterparty** – Counterparty risk may materialise if an entity with which the fund does business becomes unwilling or unable to meet its obligations to the fund. **Custody** – In the event that the depositary and/or custodian becomes insolvent or otherwise fails, there may be a risk of loss or delay in return of certain fund's assets.

Cybersecurity – The fund may be subject to operational and information security risks resulting from breaches in cybersecurity of the digital information systems of the fund or its third-party service providers. **ESG** – ESG integration as well as events may result in a material negative impact on the value of an investment and performance of the fund. **Inflation** – Inflation may erode the value of the fund and its investments in real terms. **Investment fund** – Investing in funds involves certain risks an investor would not face if investing in markets directly.

Market Liquidity – In extreme market conditions it may be difficult to sell the fund's securities and it may not be possible to redeem shares at short notice. **Market** – Market risk may

subject the fund to experience losses caused by unexpected changes in a wide variety of factors. **Operational** – Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes. **Sustainability** – Funds that seek to promote environmental and/or social characteristics may not or only partially succeed in doing so.

Important information

The Funds are sub-funds of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies, risks and sustainability information are located in the prospectus which is available with the key investor information documents (KIID) and/or key information document (KID) in English and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the articles of incorporation and the annual and semi-annual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors. They can also be found along with a summary of investor rights in English at www.funds.troweprice.com. The Management Company reserves the right to terminate marketing arrangements.

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