Multi-Asset Collaboration and Due Diligence

How we actively monitor and fortify our building blocks.

May 2023


Kim DeDominicis,
Portfolio Manager,
Target Date Strategies


Amy Seman, CFA, CAIA,
Multi-Asset Director
of Due Diligence


Toby Thompson, CFA CAIA,
Portfolio Manager,
Target Allocation Strategies

KEY INSIGHTS

- Our due diligence process is designed to evaluate the ongoing suitability of each of the underlying strategies in our multi-asset products.
- Our process fosters collaboration between investment teams to review underlying strategies and the role each plays within our multi-asset products.
- We have strong building blocks to construct our multi-asset products. While issues are rare, when they have arisen, we have taken action to address concerns.

For more than 30 years, T. Rowe Price has designed and delivered multi-asset strategies, each thoughtfully constructed to help meet the diversity of client needs that exist in a global marketplace. We employ a rigorous research process that carefully incorporates objectives, risks, and opportunities into a fund built for a specific purpose. Once we've determined the long-term strategic allocation—the level of exposure to various asset classes—of a fund, we select suitable underlying building blocks from our proprietary strategies. We seek to use our proprietary strategies to add value over the long term in our multi-asset products, leveraging the strength of our global research platform and insights across asset classes.

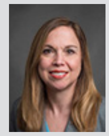
Because the long-term performance of the underlying building blocks has a direct impact on the long-term relative performance and rankings of our multi-asset products, our comprehensive due diligence process is designed to continually evaluate the suitability of each building block. This process fosters collaboration between our Multi-Asset Due Diligence Committee (MADDC) and the managers of underlying strategies so we can understand and address any changes in or performance challenges of underlying strategies as they may arise.

Ongoing Monitoring

Our multi-asset portfolio managers are supported by a robust governance framework driven by the Multi-Asset Steering Committee (MASC) and the MADDC. The MASC, made up of tenured representatives including portfolio managers across asset classes and senior leaders in research and product development, has governance and oversight responsibilities for all T. Rowe Price multi-asset products and processes, including due diligence.

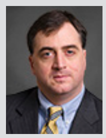
Multi-Asset Due Diligence Committee

Toby Thompson, CFA, CAIA
Due Diligence Committee Chair, Portfolio Manager

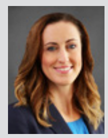


Amy Seman, CFA, CAIA
Director of Due Diligence, Multi-Asset

Kim DeDominicis
Portfolio Manager

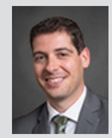


Charles Shriver, CFA
Portfolio Manager



Erin Garrett, CAIA
Portfolio Manager

Michael Walsh, CFA, CAIA, FIA
Solutions Strategist



Darren Scheinberg, CFA
Investment Analyst

> The Multi-Asset Due Diligence Committee's formal monitoring process is both qualitative and quantitative in nature.

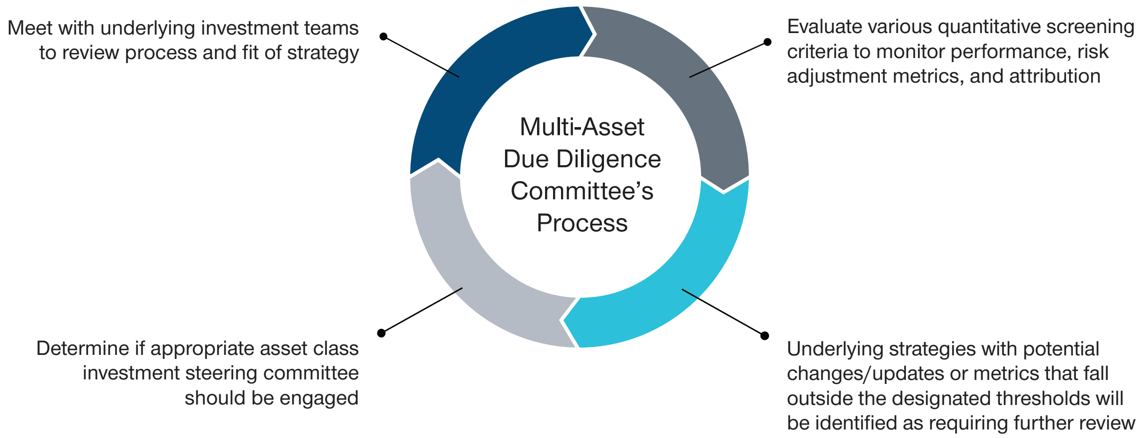
The seven-member MADDC, which consists of multi-asset investment professionals, provides ongoing oversight for due diligence of proprietary strategies used within T. Rowe Price multi-asset products, and is responsible for escalating concerns with underlying strategies to MASC. The process is overseen by the Multi-Asset Director of Due Diligence, who is a voting member of the MADDC.

Our formal monitoring process is both qualitative and quantitative in nature and includes:

- Performance and risk metrics, which are evaluated on an ongoing basis and formally reviewed monthly.
- Continuous monitoring of changes to underlying investment teams, concentrated exposures or heightened turnover within portfolio holdings, and other qualitative considerations.
- Meetings with the underlying investment teams that occur at least annually, and more frequently when strategies are deemed to require closer review.

This rigorous due diligence process can reaffirm our confidence in an underlying strategy's ability to fulfill its intended purpose within a diversified fund. Conversely, a review could prompt us to place a strategy on watch for additional monitoring. The MADDC's decision to place a strategy on watch is informed by a variety of factors, such as changes to the investment process, changes in risk exposures, performance concerns, investment team turnover, or other conditions or events that have the potential to change the investment thesis. If concerns are not resolved following a period of additional analysis and enhanced monitoring, the MADDC formally escalates the concern to the MASC. The MASC then engages with the appropriate T. Rowe Price investment steering committee that has governance over the strategy to work collectively to ensure actions are taken to remedy the issues. Similar to the MASC's oversight of multi-asset products, T. Rowe Price has divisional steering committees that oversee our equity and fixed income strategies, which are integral to the due diligence process. The MASC will remove a strategy from the "watch list"

Multi-Asset Due Diligence Committee



> In the rare instances when underlying strategies have failed to meet our expectations, we have acted decisively to address the root cause of the issue(s).

once the area of concern has been successfully resolved.

Due Diligence in Action

In the rare instances when underlying strategies have failed to meet our expectations, we have acted decisively to address the root cause of the issue(s). Each equity and fixed income steering committee performs regular reviews of performance, investment activity, style adherence, and portfolio structure. In addition, the asset class steering committees are responsible for reviewing the overall investment results produced by investment analysts. Generally, if a manager experiences challenges, the asset class steering committee evaluates the potential reasons for those challenges and determines the appropriate course of action. These actions, determined by the appropriate steering committee, can range from aiding that manager with additional support to replacing the manager, if deemed necessary. The respective steering committee then engages with the MASC and MADDC

Due Diligence Case Study 1

2016–International Value

The International Value Equity Strategy experienced a pronounced period of underperformance, which adversely impacted performance of some multi-asset funds. This resulted in the strategy being placed on watch. The International Equity Steering Committee, with input from the MASC, took remedial steps intended to enhance the strategy's investment process, including:

- Additional oversight in security selection and mentorship from senior portfolio managers experienced in international and value-oriented equity strategies.
- Regular consultation with the equity risk team to reinforce benchmark-relative risk awareness within the investment process.

When performance did not improve, an interim portfolio manager was assigned. An external portfolio manager with a successful track record and distinguished process was hired, and performance for the strategy and our multi-asset funds subsequently rebounded.

For illustrative purposes only. The past performance of other underlying strategies within multi-asset funds might differ significantly. This is not intended to be investment advice or a recommendation to take any particular investment action.

Due Diligence Case Study 2

2021–U.S. Large Cap Core

The portfolio manager of US Large Cap Core retired shortly after an allocation to the strategy was initiated within our target date funds. Understanding the degrees of freedom for a large-cap core manager, the target date team elected to refrain from further increasing exposure to the strategy, pending a review of the new manager's portfolio construction process. Throughout 2021 and 2022, we engaged in a rigorous review of the new portfolio manager's investment process alongside quantitative factors, including portfolio holdings and characteristics and performance patterns.

This process strengthened our assessment that the strategy appeared well suited to meaningfully enhance our target date funds without introducing an undesired factor tilt or significant overlap in holdings or performance with our existing components. As a result, the target date funds not only maintained an allocation to the strategy, but subsequently increased the size of the allocation over time.

For illustrative purposes only. Not representative of product performance. This is not intended to be investment advice or a recommendation to take any particular investment action.

to discuss progress toward resolving the area of concern.

We believe our investment professionals and global research platform have been key contributors to the success of our multi-asset products. Our focus on due diligence and the ongoing monitoring of our underlying building blocks to ensure they are fulfilling their role in our multi-asset products reflects our deeply held commitment to bringing our clients the best that T. Rowe Price has to offer.

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

To learn more, please visit troweprice.com.

T. Rowe Price®

Important Information

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information you should read and consider carefully before investing.

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

The principal value of target date funds is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the fund. If an investor plans to retire significantly earlier or later than age 65, the funds may not be an appropriate investment even if the investor is retiring on or near the target date. The funds' allocations among a broad range of underlying T. Rowe Price stock and bond funds will change over time. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term post-retirement withdrawal horizon. The funds are not designed for a lump-sum redemption at the target date and do not guarantee a particular level of income. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility over shorter time horizons.

The views contained herein are those of the authors as of May 2023 and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

This information is not intended to reflect a current or past recommendation concerning investments, investment strategies, or account types, advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Please consider your own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

Past performance is not a reliable indicator of future performance. All investments are subject to market risk, including the possible loss of principal. All charts and tables are shown for illustrative purposes only.

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds. T. Rowe Price Associates, Inc., investment adviser.

© 2023 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.

ID0005843 (04/2023)
202304-2824119