



## STRATEGY HIGHLIGHTS

As of 31 December 2023

# Emerging Markets Bond Strategy

**Total Emerging Markets Bond Strategy Assets:**<sup>1</sup> \$8.7 billion<sup>2</sup>

Figures shown in Canadian Dollars

### INVESTMENT APPROACH

- Focus primarily on hard currency sovereign debt, with smaller strategic allocation to corporate debt, and tactical allocation to local currency debt.
- Integrate proprietary credit research and relative value analysis.
- Establish independent credit rating at the country and corporate issuer level.
- Seeks to add value through active country allocation and individual security selection decisions.
- Employs a long-term investment horizon and seeks to limit risk through diversification.

### PORTFOLIO CONSTRUCTION

- Diversified portfolio structure: typically 100-150 issuers
- Duration bands: managed within +/- 1 year of the benchmark
- Average credit quality: BB
- Country exposure will range between 0% and a max of 10% over the benchmark
- Expected tracking error should range between 200-400 bps
- Up to 35% in EM corporate bonds

### BENCHMARK

- J.P. Morgan EMBI Global Diversified

### PORTFOLIO MANAGEMENT

#### Samy Muaddi, CFA®

- 17 years of investment experience; 17 years with T. Rowe Price.
- B.A., University of Maryland

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<sup>1</sup> Includes U.S.-registered mutual funds, sub-funds of a Luxembourg domiciled SICAV, a common trust fund, separate accounts, and subadvised portfolios.

<sup>2</sup> Assets under management are calculated in USD and converted to CAD using an exchange rate determined by an independent third party.

**PORTFOLIO CHARACTERISTICS**

	<b>Representative Portfolio<sup>2</sup></b>	<b>J.P. Morgan Emerging Markets Bond Index Global Diversified</b>
Weighted Average Coupon	5.27%	5.28%
Weighted Average Maturity	10.63 years	11.60 years
Weighted Average Effective Duration	7.16 years	6.74 years
Yield to Maturity	6.66%	7.96%
Average Credit Quality	BB	BBB-
Number of Holdings	329	943

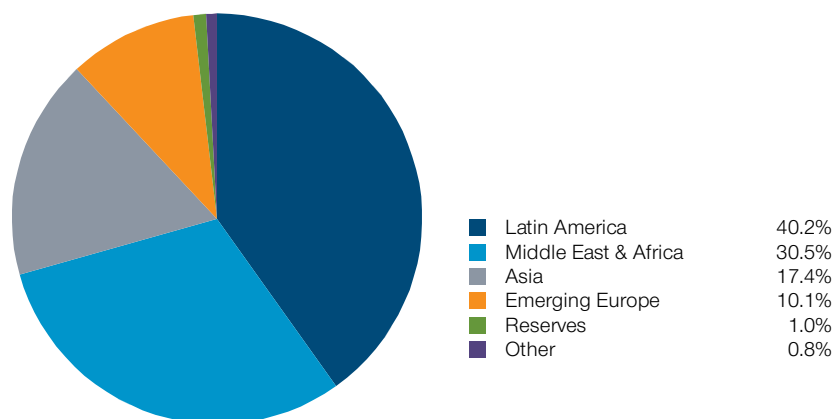
**CREDIT QUALITY**

<b>Credit Allocation</b>	<b>% of Representative Portfolio<sup>2</sup></b>	<b>% of Index</b>
AAA	0.3%	0.1%
AA	2.5	7.3
A	6.8	15.5
BBB	32.7	33.2
BB	31.1	21.1
B	16.6	16.9
CCC	2.7	3.6
CC	1.7	1.6
C	0.1	0.0
D	3.2	0.4
Not Rated	1.3	0.3
Reserves	1.0	0.0

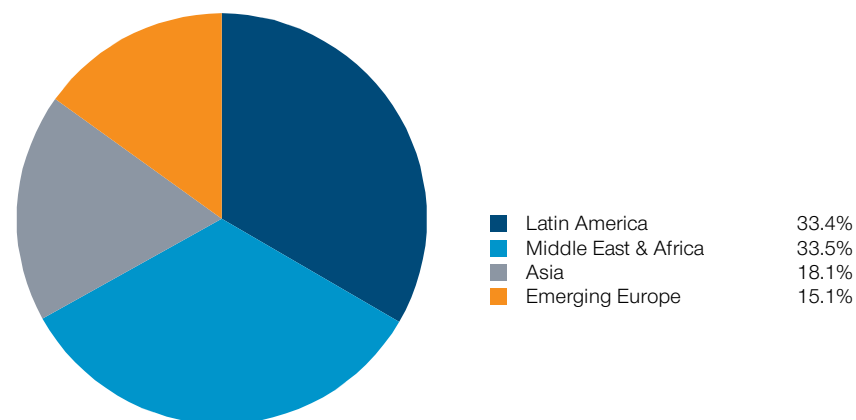
**Past performance is not a reliable indicator of future performance.**

<sup>2</sup>Please see Additional Disclosures section for further information.

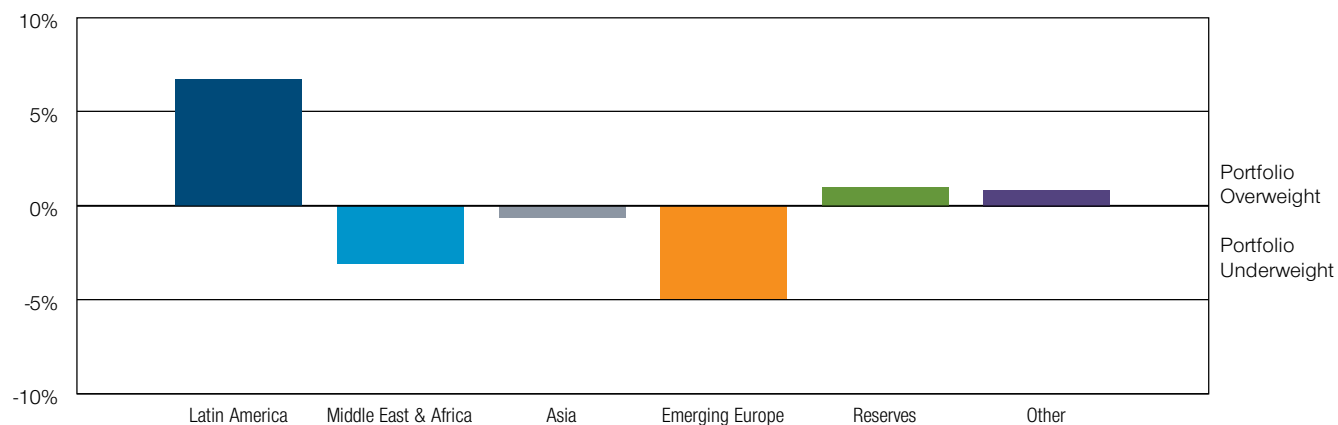
## REGIONAL ALLOCATION

Representative Portfolio<sup>2</sup>

J.P. Morgan Emerging Markets Bond Index Global Diversified



## REGIONAL ALLOCATION

Representative Portfolio<sup>2</sup> vs. Index: Regional Weighting Difference<sup>2</sup>Please see Additional Disclosures section for further information.

**PERFORMANCE**

	Three Months	One Year	Annualized			
			Three Years	Five Years	Ten Years	Fifteen Years
Emerging Markets Bond Composite (Gross)	8.33%	10.54%	-1.13%	1.37%	5.66%	6.99%
Emerging Markets Bond Composite (Net)	8.23	10.10	-1.52	0.97	5.24	6.56
J.P. Morgan EMBI Global Diversified	6.47	8.11	-2.45	0.96	5.17	6.18
Value Added (Gross)	1.86	2.43	1.32	0.41	0.49	0.81
Value Added (Net)	1.76	1.99	0.93	0.01	0.07	0.38

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

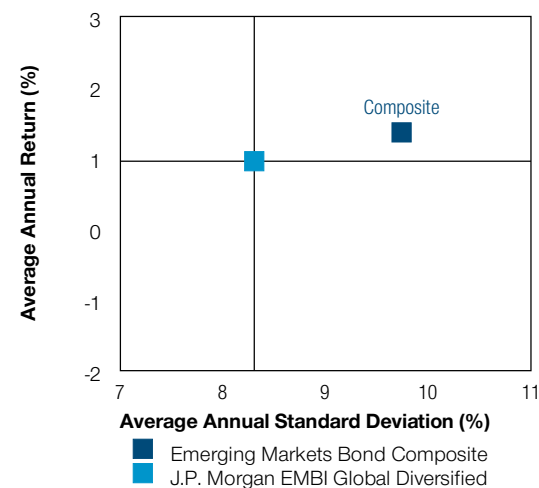
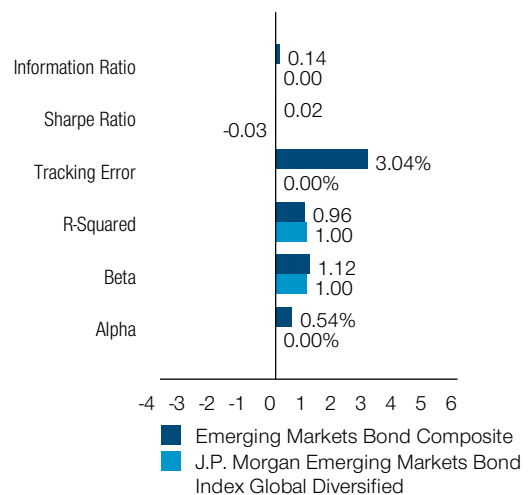
Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the fee schedule contained within this material, without the benefit of breakpoints. Gross and net performance returns reflect the reinvestment of dividends and are net of all non-reclaimable withholding taxes on dividends, interest income, and capital gains.

Valuations and performance are computed in USD and converted to CAD. When converting U.S. dollar composite returns, benchmarks, dispersion, and asset data, the same exchange rate source is used consistently. Total returns in non-U.S. dollar currencies are calculated by adjusting U.S. dollar performance by the percent change in the U.S. dollar/foreign currency exchange rate (as determined by an independent third party) for the time periods selected.

See GIPS® Composite Report located in this material for additional information.

**RISK/RETURN CHARACTERISTICS**

Five Years ended 31 December 2023



**Past performance is not a reliable indicator of future performance.** Statistics based on monthly gross returns. Returns would have been lower as the result of the deduction of applicable fees. Risk/Return Characteristics are computed in USD and converted to CAD using an exchange rate determined by an independent third party.

**FEE SCHEDULE****Emerging Markets Bond Composite**

The Emerging Markets Bond Composite seeks current income and capital appreciation primarily through investment in fixed income securities issued by emerging nations. The strategy may invest in low rated bonds, including those in default, when market conditions warrant. Absolute weightings in the Emerging Markets Bond Composite will generally be higher in the larger markets of Brazil, Mexico, and Russia than absolute weightings in the Emerging Markets Diversified Bond Composite. (Created December 1994, inception December 31, 1995.)

First \$60 million	40 basis points
Next \$60 million	37.5 basis points
Above \$120 million	37.5 basis points on all assets *
Above \$288 million	32.5 basis points on all assets *
Minimum separate account size	\$60 million.

\* A transitional credit is applied to the fee schedule as assets approach or fall below the break point.

## GIPS® Composite Report

## Emerging Markets Bond Composite

Period Ended December 31, 2022

Figures Shown in Canadian dollar

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Annual Returns (%)	0.12	13.48	21.73	11.73	2.86	2.08	6.72	3.78	-2.37	-10.44
Net Annual Returns (%) <sup>1</sup>	-1.07	12.14	20.30	10.41	1.64	0.86	5.45	2.54	-3.54	-11.52
Benchmark (%) <sup>2</sup>	-0.31	15.04	21.40	6.38	2.14	3.98	8.63	4.02	-2.63	-11.81
J.P. Morgan Emerging Markets Bond Index Global Diversified (%) <sup>2</sup>	1.11	17.11	21.35	6.34	3.01	4.36	9.22	3.41	-2.63	-11.81
Composite 3-Yr St. Dev.	5.37	5.69	8.24	8.08	9.32	7.95	6.93	9.27	9.17	11.83
Benchmark 3-Yr St. Dev.	5.67	5.62	8.36	8.33	9.43	7.66	6.66	7.29	7.47	9.92
J.P. Morgan Emerging Markets Bond Index Global Diversified 3-Yr St. Dev.	5.54	5.54	8.57	8.66	9.65	7.55	6.53	7.80	8.02	10.32
Composite Dispersion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Comp. Assets (Millions)	4,610.7	5,437.8	7,111.5	9,953.2	10,029.9	11,128.8	10,758.7	9,795.5	10,316.9	9,333.1
# of Accts. in Comp.	4	3	4	4	3	4	3	3	5	5
Total Firm Assets (Billions)	739.9	868.2	1,072.9	1,095.9	1,253.2	1,328.5	1,579.7	1,888.7	2,088.7	1,676.6 <sup>3</sup>

<sup>1</sup>The fee rate used to calculate net returns is 1.20%. This represents the maximum fee rate applicable to all composite members. **Past performance is not a reliable indicator of future performance.**

<sup>2</sup>Effective January 1, 2021, the benchmark for the composite changed to the J.P. Morgan EMBI Global Diversified Index. Prior to this change, the benchmark was the J.P. Morgan EMBI Global Index. The change was made because the firm viewed the new benchmark to be a better representation of the investment strategy of the composite. Historical benchmark representations have not been restated.

<sup>3</sup>Preliminary - subject to adjustment.

T. Rowe Price (TRP) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. TRP has been independently verified for the 26-year period ended June 30, 2022 by KPMG LLP. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm wide basis. 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. As of October 1, 2022, there is no minimum asset level for portfolio inclusion into the composite. Prior to October 2022, the minimum asset level for equity portfolios to be included in composites was \$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 was \$10 million; prior to October 2004 the minimum was \$5 million; and prior to January 2002 the minimum was \$1 million. Valuations and performance are computed in U.S. dollars and converted to Canadian Dollar. When converting U.S. dollar composite returns, benchmarks, dispersion and asset data, the same exchange rate source is used consistently. Total returns in non-U.S. dollar currencies are calculated by adjusting U.S. dollar performance by the percent change in the U.S. dollar/foreign currency exchange rate (as determined by an independent third party) for the time periods selected. 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 maximum fee rate applicable to all composite members as shown above. Gross performance returns reflect the reinvestment of dividends and are net of non-reclaimable withholding taxes on dividends, interest income, and capital gains. Gross performance returns are used to calculate presented risk measures. 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 that may create leverage and generally represent in aggregate less than 10% of a portfolio. Benchmarks are taken from published sources and may have different calculation methodologies, pricing methods, 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, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

A portfolio management change occurred effective June 30, 2020, December 31, 2020 and June 30, 2021. There were no changes to the investment program or strategy related to this composite.

## ADDITIONAL DISCLOSURES

Portfolio Construction: There is no guarantee that the investment will remain within the anticipated ranges of exposure.

Weighted Average Maturity is an average of the maturities of the underlying bonds, with each bond's maturity weighted by the percentage of Composite assets it represents. Weighted Average Effective Duration is a calculation that seeks to measure the price sensitivity of the Composite to changes in interest rates. In general, the longer the average maturity or duration, the greater the Composite's sensitivity to interest rates. Duration is a better indicator of price sensitivity because it takes into account the time value of cash flows.

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

The specific securities identified and described do not represent all of the securities purchased, sold or recommended for the portfolio, and no assumptions should be made that the securities identified and discussed were or will be profitable.

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

Credit ratings for the securities held in the portfolio are provided by Moody's, Standard & Poor's and Fitch and are converted to the Standard & Poor's nomenclature. A rating of "AAA" represents the highest-rated securities, and a rating of "D" represents the lowest-rated securities. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated (NR). T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps and sovereign securities. The portfolio is not rated by any agency.

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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® Composite Report for additional information on the composite.

"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.

## Risks

The following risks are materially relevant to the portfolio.

**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. **Country (Russia and Ukraine)** - Russian and Ukrainian investments may be subject to higher risks associated with custody and counterparties, liquidity, market disruptions, as well as strong or sudden political risks. **Credit** - Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the portfolio. **Default** - Default risk may occur if the issuers of certain bonds become unable or unwilling to make payments on their bonds. **Derivative** - Derivatives may be used to create leverage which could expose the portfolio to higher volatility and/or 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. **Frontier markets** - Frontier markets are less mature than emerging markets and typically have higher risks, including limited investability and liquidity. **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. **Liquidity** - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price. **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 portfolio's assets are concentrated.

## General Portfolio Risks

**Counterparty** - Counterparty risk may materialise if an entity with which the portfolio does business becomes unwilling or unable to meet its obligations to the portfolio. **ESG and sustainability** - ESG and Sustainability risk may result in a material negative impact on the value of an investment and performance of the portfolio. **Hedging** - Hedging measures involve costs and may work imperfectly, may not be feasible at times, or may fail completely. **Investment portfolio** - Investing in portfolios involves certain risks an investor would not face if investing in markets directly. **Management** - Management risk may result in potential conflicts of interest relating to the obligations of the investment manager. **Market** - Market risk may subject the portfolio 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.



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